

## **Australian aid to Afghanistan: submission to the Foreign Affairs, Defence and Trade Reference Committee**

Stephen Howes and Jonathan Pryke

### **1. Introduction to the Development Policy Centre**

The Development Policy Centre is Australia's leading research centre on aid effectiveness. Established in September 2010, the Centre's blog (<http://devpolicy.org>), publications and events (<http://devpolicy.anu.edu.au>) provide a unique resource for Australia and the wider region. Further detail on the Centre's activities can be found in our 2011 [annual report](#).

This submission is written by Professor Stephen Howes, Director of the Development Policy Centre and Mr Jonathan Pryke a researcher at the Centre. Professor Howes has twenty-five years of experience working in and on aid and development in the Asia-Pacific region. Formerly Lead Economist for India with the World Bank and Chief Economist with AusAID, he was a lead author of the Core Group Report on Aid Effectiveness (2006), the review of Australian aid to PNG (2010) and the Independent Review of Aid Effectiveness (2012). He currently serves on the Board of CARE Australia. Jonathan Pryke graduated from the ANU in 2011 with a Masters in Public Policy and Masters in Diplomacy. Ms Alicia Mollaun also contributed to this submission via the provision of a literature survey. Ms Mollaun is a PhD student at the Crawford School working on American aid to Pakistan. She has worked for the Australian Government with PM&C and DFAT, and is currently on leave from DFAT.

## **2. Comments on the nature and the scope of the Review and this submission**

We welcome this review by the Senate Committee. Reviews of Australian aid by the Australian Parliament are few and far between. To our knowledge, the last Parliamentary Review of Australian aid was in 2006 in relation to aid to the Pacific.

Given the rapidly expanding nature of the Australian aid program, we believe there should be more reviews of Australian aid. Indeed, several commentators have recommended a dedicated Parliamentary Committee on aid. John Evers, former Chief Adviser (International) in the Australian Treasury from 2004 to 2006 has made the recommendation in a Devpolicy blog post [here](#). The Independent Review of Aid Effectiveness made the same recommendation, namely that “parliamentary engagement could be further strengthened through a parliamentary committee or sub-committee focused on aid and development” (pg. 32). It can be noted that the UK Parliament has an “International Development Committee”.

### *Recommendation 1*

*That given the usefulness of Parliamentary reviews of aid, their infrequency, and the rapid expansion of the aid program, Parliament should establish some sort of Aid Committee.*

Evaluating aid effectiveness is never an easy exercise. Often it is difficult to isolate the impact of aid. Information is scarce, and feedback difficult to obtain. While measures can be taken to mitigate them, these problems are very much in the nature of aid given the fundamental geographical disconnect which underlies all aid: the fact that aid funds are raised in one country and disbursed in another.

Evaluating aid to Afghanistan raises special challenges. It is very difficult to visit Afghanistan. There is a huge shortage of impartial information.

Given this situation, our own submission should be regarded as neither definitive nor comprehensive. One of us (Prof. Howes) visited Afghanistan (Kabul and Uruzgan) in 2010 as part of the Independent Review of Aid Effectiveness. We have also talked to

others involved in the delivery of aid to Afghanistan, and read the literature around aid to Afghanistan. Given the severe data limitations, and the difficulty of undertaking an aid evaluation, our submission is able to touch on only a few of the issues around aid to Afghanistan, and not necessarily the most important ones. In particular, we say nothing about the critical issue of humanitarian space, or on the proper balance between channelling funds through government and through NGOs, or on the question of the appropriateness of funding levels. Nevertheless, we hope that our submission will help the Committee in the important and difficult task which it has been set.

The terms of reference of the Review are heavily focused on the evaluation of Australia's aid. This is commendable. Points (a) and (b) of the terms of reference specifically call for an evaluation of Australian aid to Afghanistan. Point (a) requires an evaluation of Australia's bilateral aid. Point (b) requires an evaluation of multilateral aid, aid delivered by other government departments, and of interactions between different types of aid.

Three preliminary points in regard to these two terms of reference need to be made. First, evaluations of effectiveness can only be done in relation to pre-agreed objectives. If the objectives are not established and agreed on, an assessment of effectiveness is impossible. As we discuss later in this submission, it is clear that in Afghanistan the objectives of aid are strategic as well as developmental. Both criteria need to be used when assessing effectiveness.

#### *Recommendation 2*

*That to conduct the aid evaluation required in its terms of reference, the Committee needs to first establish what the goals are for the Australian aid program in Afghanistan. In our view, these goals should be defined in both strategic and developmental terms.*

Second, while the task of the Committee is to undertake an evaluation of Australian aid, the hard reality is that we cannot be confident of the success (or otherwise) of Australia's aid for several years to come and perhaps not for decades. Say that, after international troops are drawn down, the Kabul Government collapses and the Taliban

regains power. Whatever strategic and developmental goals the aid program has made to date would suffer huge reversals. For this reason, although the focus of the enquiry is on the Transition Decade (the 10-years up to 2014, when troops will be drawn down), the evaluation required by the enquiry needs to be based on some projections or scenario analysis.

We are not strategic experts, but on the basis of consultations, our working assumption is that after 2014 enough US troops stay to shore up the Karzai government (or at least a non-Taliban government), but that the control of that government shrinks even further and that provinces like Uruzgan become no-go territories for the Afghan government and for international aid personnel, except those which are able to operate in a humanitarian mode.

### *Recommendation 3*

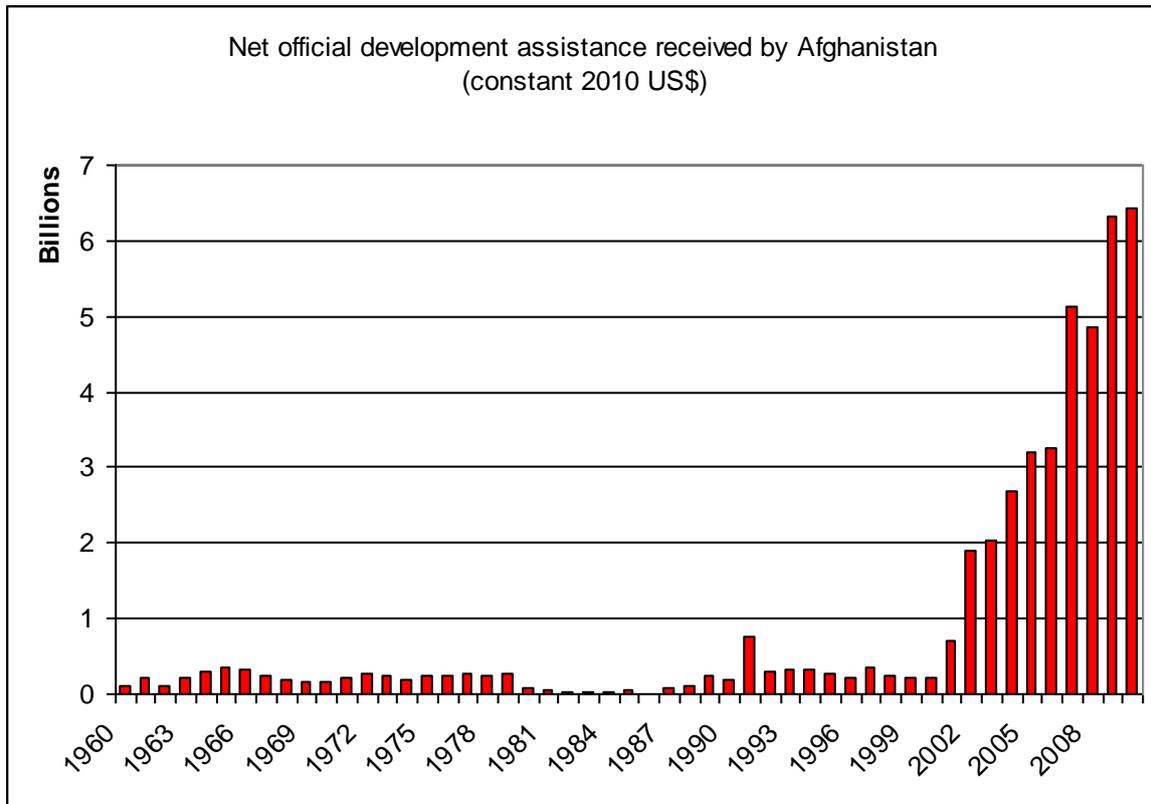
*That to conduct the aid evaluation required in its terms of reference, the Committee formulate explicit scenarios for the future of Afghanistan without which it will not be possible to evaluate the effectiveness of aid expenditures to date.*

Third, when considering bilateral aid to Afghanistan, both AusAID and aid from other government departments should be considered. This would be consistent with the standard definition of bilateral aid. Alternatively, the first point in the terms of reference could be taken to be restricted to aid from AusAID.

### **3. Summary of global aid to Afghanistan**

It is impossible to evaluate Australian aid without putting it in the broader context of total global aid to Afghanistan. Aid to Afghanistan has exploded over the course of the last decade, as Figure 1 below shows. Aid to Afghanistan prior to 2000 never exceeded \$US 1 billion, and was often well below that figure. In 2002 and 2003 Afghanistan received about \$US 2 billion of aid annually. In 2004, 2005 and 2006, Afghanistan received about \$US 3 billion of aid. In 2007 and 2008, this increased to \$US 5 billion, and in 2009 and 2010 to over \$US 6 billion. (Note these figures are adjusted for inflation.)

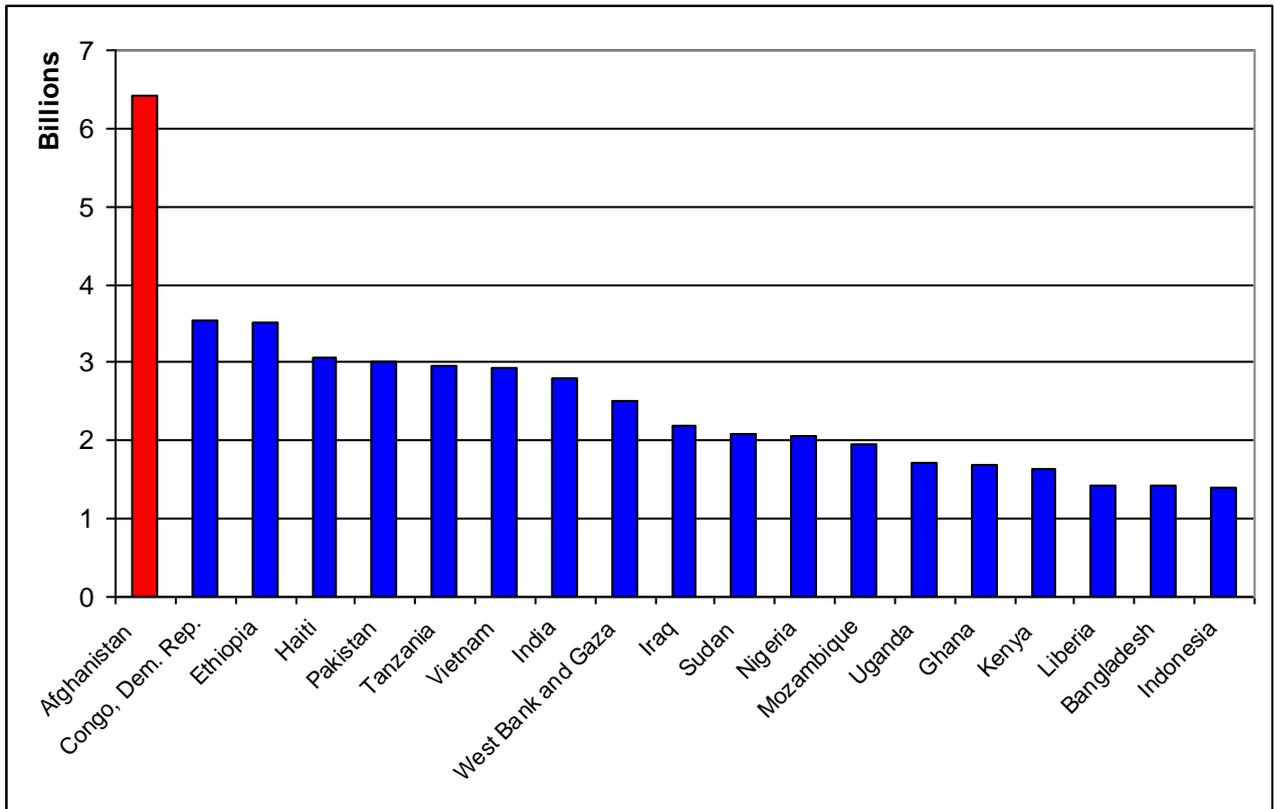
**Figure 1. Net official development assistance received by Afghanistan**  
(constant 2010 US\$)



Source: World dataBank

Afghanistan now receives much more aid than any other country in the world. Its level of aid is almost double (80% more than) the next biggest aid recipient which is the Democratic Republic of Congo. Figure 2 compares aid to Afghanistan with aid to the 20 largest recipients of aid. Apart from showing how Afghanistan stands by itself, this graph is also interesting in showing that of the other top 5 recipients of Australian aid only Vietnam and Indonesia appears on this graph, as the 7<sup>th</sup> and 20<sup>th</sup> largest recipient respectively. PNG is the 55<sup>th</sup> largest and Solomon Islands the 73<sup>rd</sup>.

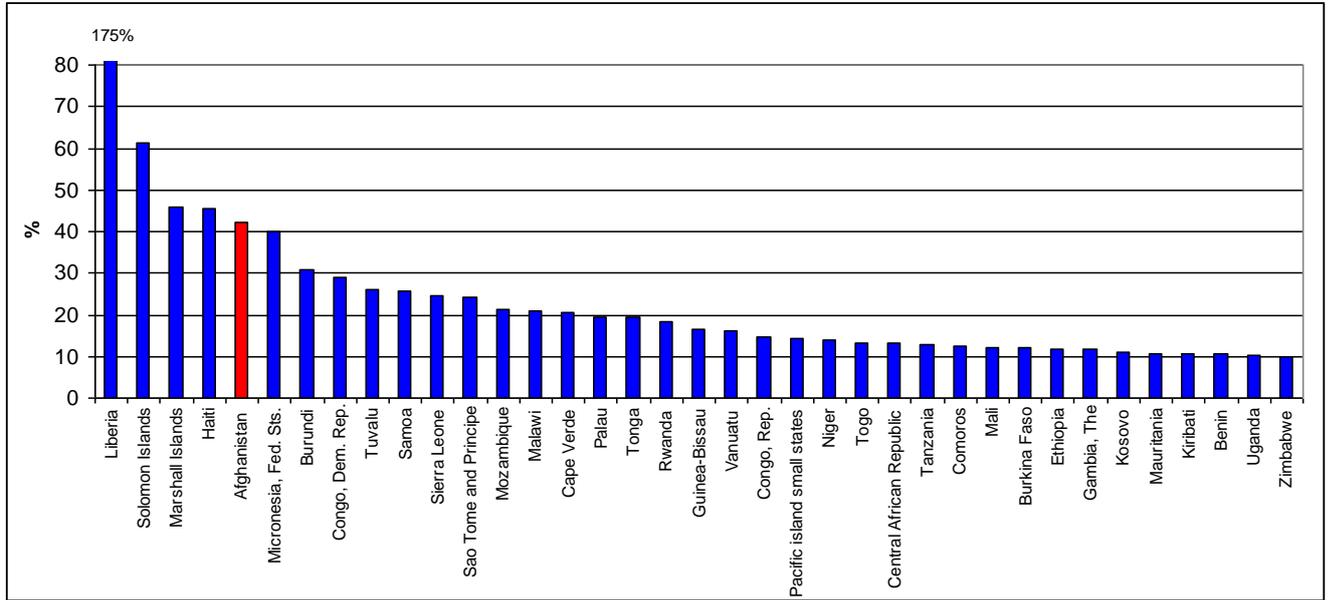
**Figure 2. Aid to the 20 largest aid recipients  
(2010, US\$ billion)**



Source: World dataBank

Not surprisingly, as the world's largest aid recipient, Afghanistan is also one of the most aid dependent. Other smaller aid recipients are also much smaller in size, so Afghanistan is not actually the most dependent, but it is in the top five most aid dependent economies as Figure 3 below shows. It can be noted that for the average low-income economy its volume of aid is about 10% of GNI.

**Figure 3. Aid dependency (aid/GNI) of the 40 most aid-dependent largest aid recipients (2010, US\$ billion)**



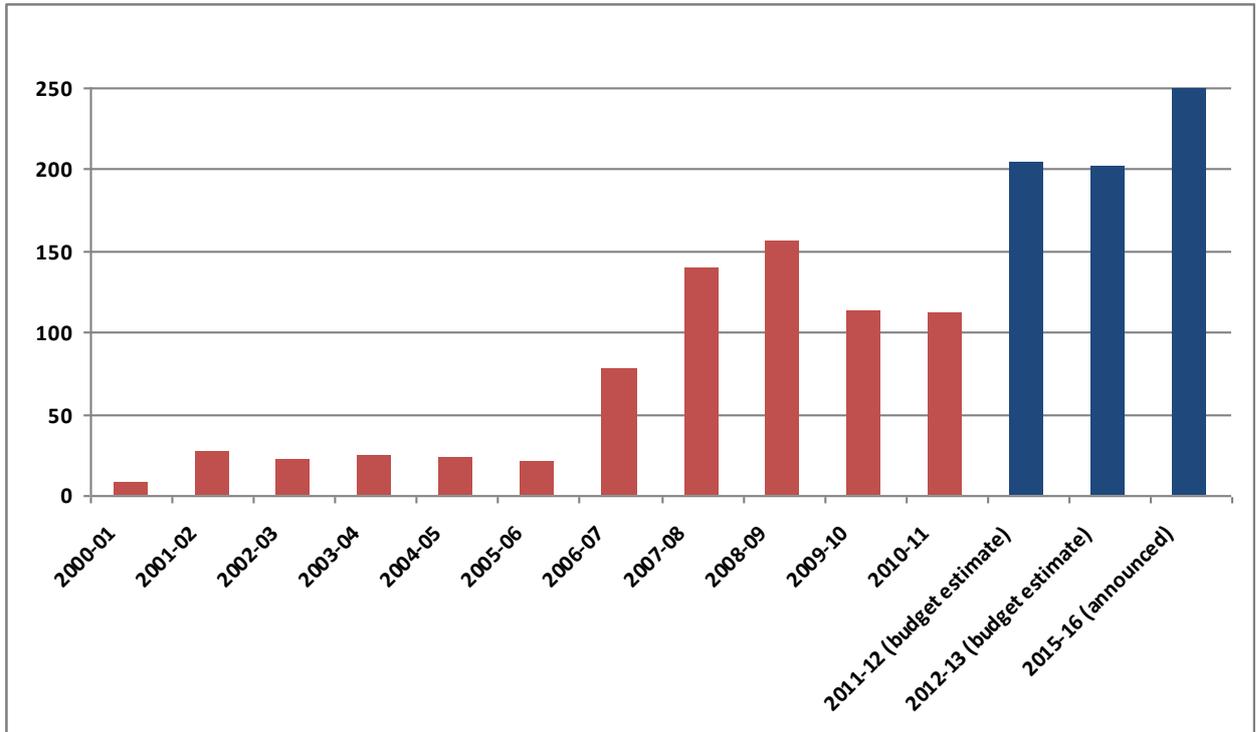
Source: World dataBank

Note: The line for Liberia is truncated, and the actual ratio of aid/GNI for Liberia is given by the label on the top of the Liberia column. GNI is Gross National Income

#### 4. Summary of Australian aid to Afghanistan

Australian aid to Afghanistan has increased rapidly over the last ten years, increasing from just a few million dollars in 2000-2001 to \$200 million this year, and with a target of \$250 million by 2015-2016 (Figure 4).

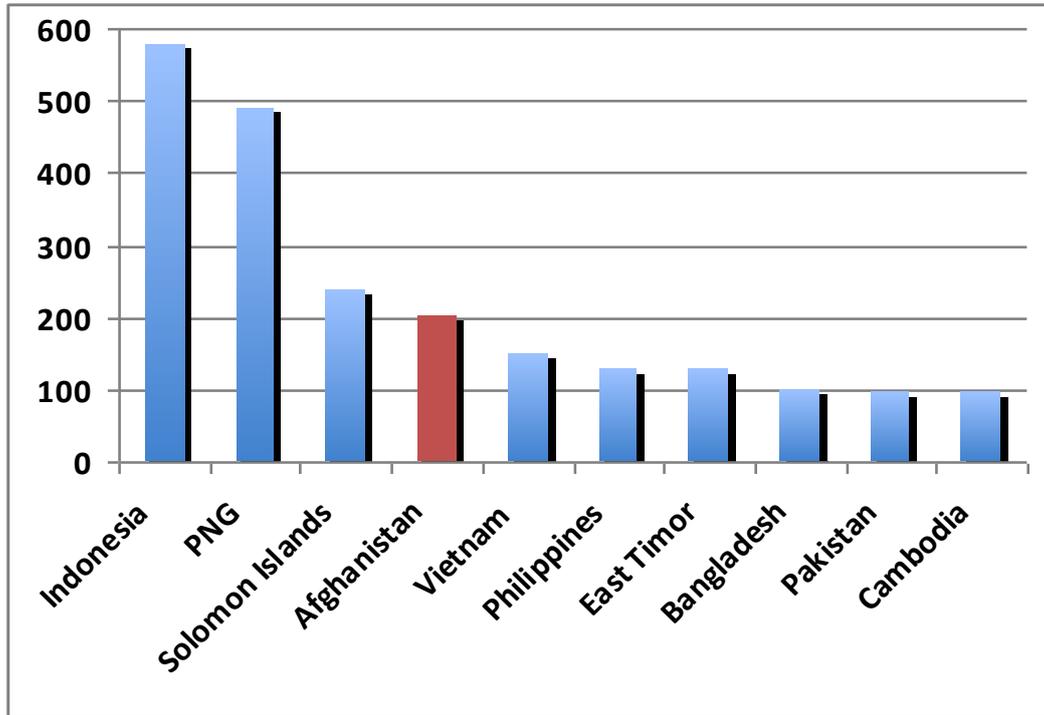
**Figure 4. Australian aid to Afghanistan**  
(\$Am, current prices)



Source: Budget documents

As a share of the total Australian aid program, aid to Afghanistan has increased from 0.4% in 2000-01 to 3.9% in 2012-13. In the process, Afghanistan has become one of the most important aid programs for Australia. In 2012-13 Afghanistan was Australia's fourth largest aid program, after Indonesia, PNG and Solomon Islands (Figure 5). By contrast even in 2005-6, Afghanistan was only Australia's 16<sup>th</sup> largest country program.

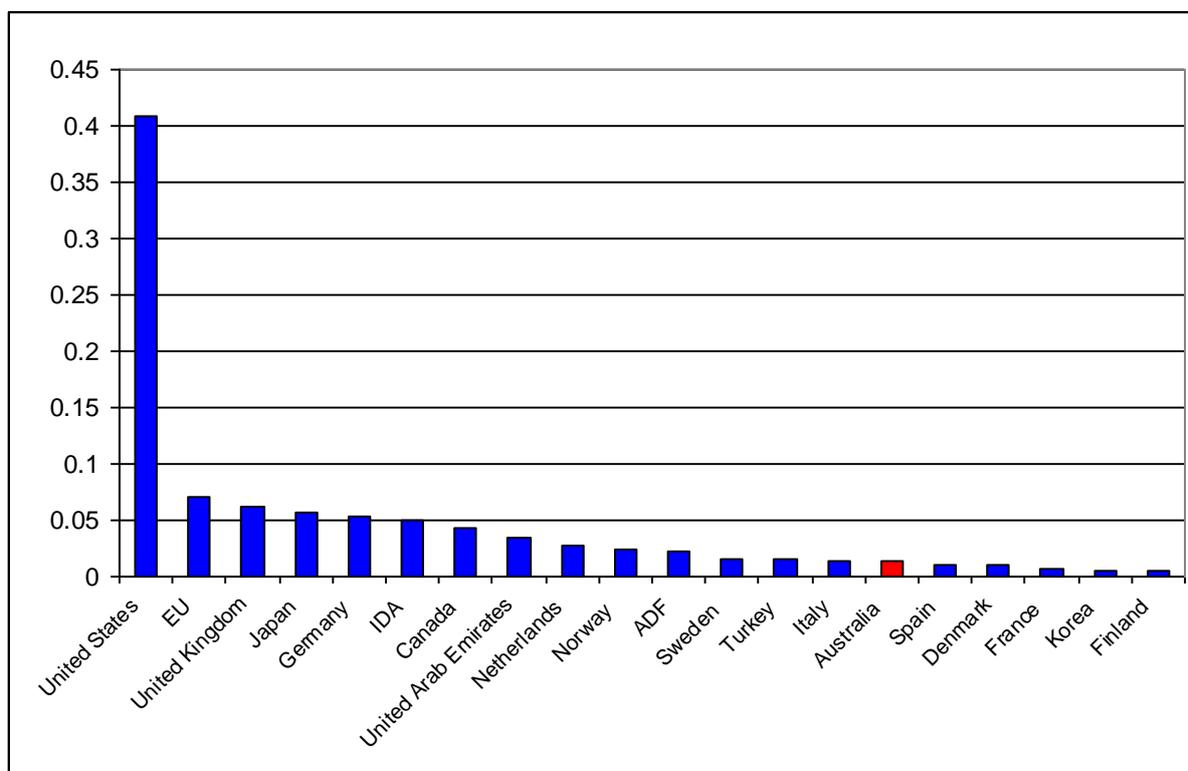
**Figure 5. Top 10 recipients of Australian aid**  
(\$Am, 2012-13)



Source: Budget documents

Although Australian aid to Afghanistan is important for the Australian aid budget, Australia is a very small donor in the context of total international aid to Afghanistan. Between 2001 and 2010, Afghanistan received some \$34 billion in international assistance. 40% of this was provided by the US. The second largest donor was the EU with 7%, followed by the UK and Japan with 6% and Germany and the International Development Association (the concessional arm of the World Bank) with 5%. Australia is the 15<sup>th</sup> largest donor over this period with just 1.4% of total assistance (Figure 6).

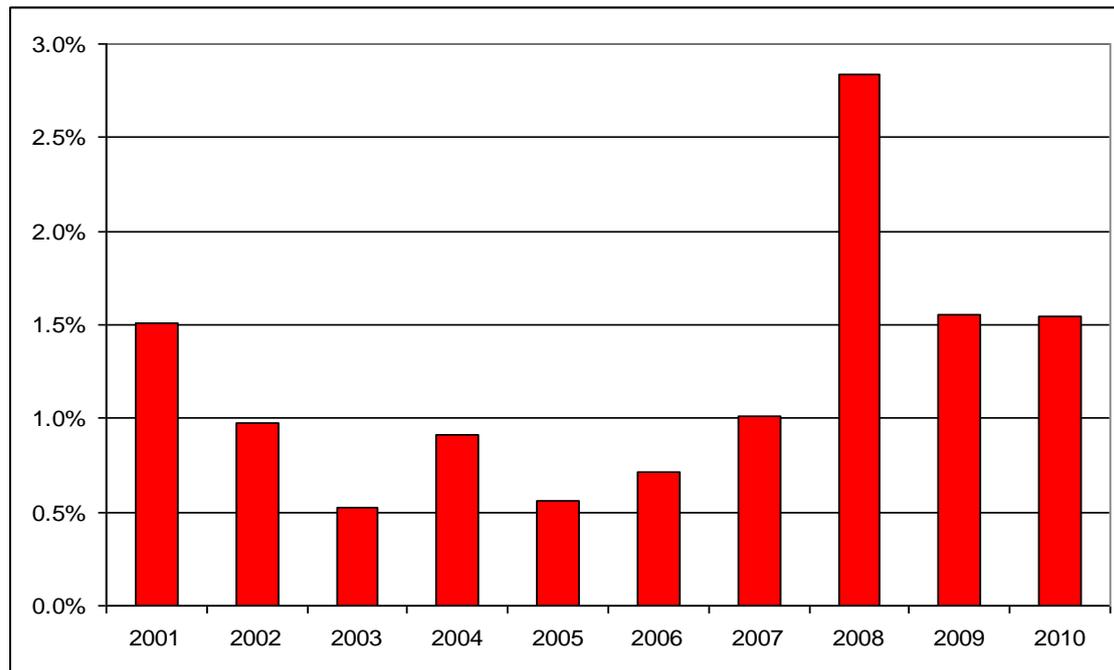
**Figure 6. Share of 2001-2010 total aid to Afghanistan from the top twenty donors.**



*Source: OECD DAC*

Australian aid has fluctuated around the 1.5% average, but the data shows no upward trend in the importance of Australian aid (Figure 7), since the scale up in Australian aid has largely matched the scale up in global aid. Australia’s importance has probably grown in recent years. International aid data is not available post-2010, but since then Australian aid to Afghanistan has increased significantly, and the Australian dollar has appreciated significantly against the US dollar making that aid more valuable.

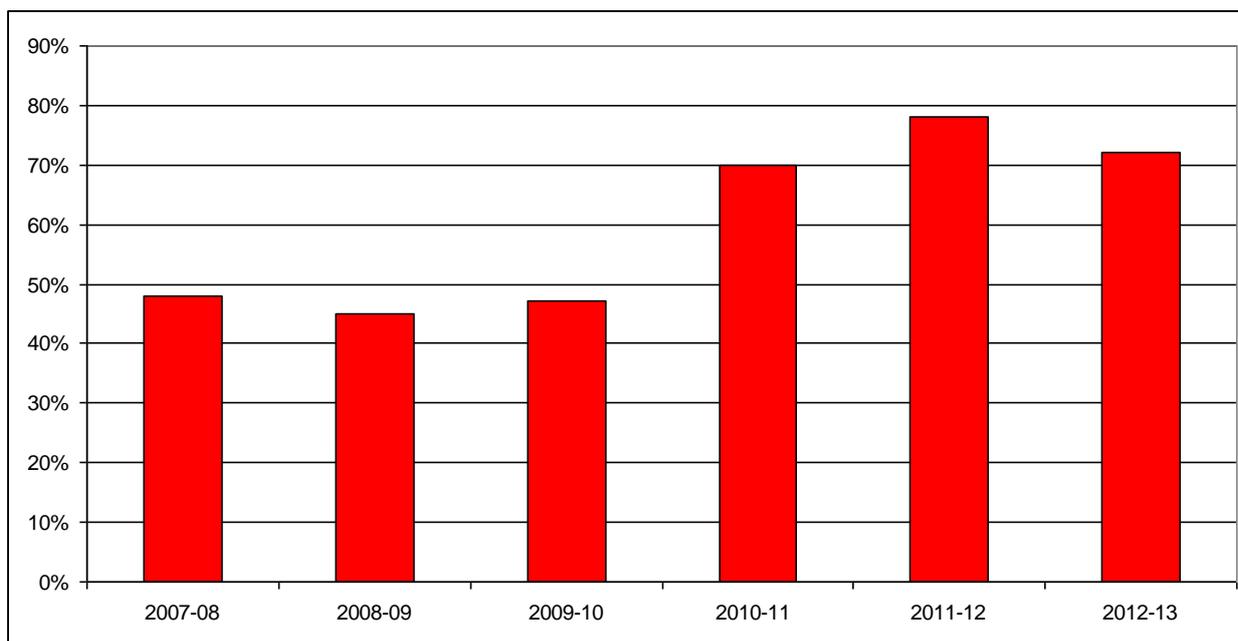
**Figure 7. Australia's aid to Afghanistan as a share of total aid to Afghanistan, 2001-2010**



*Source: OECD DAC*

Whole of government aid, though declining in relative size, is still of great importance in Australian aid to Afghanistan (Figure 8). The share of Australian aid delivered by AusAID was less than half in 2007-08 (and presumably much less than that in earlier years) but is now around 70%. Despite the growing importance of AusAID, the whole of government dimensions are still more important for Australia in Afghanistan than elsewhere. For example, in 2012-2013, the share of AusAID aid to total bilateral aid (i.e. AusAID and aid from other government departments) is on average 90%, much higher than the 70% for Afghanistan.

**Figure 8. The proportion of Australian aid to Afghanistan delivered by AusAID, 2007-2013**

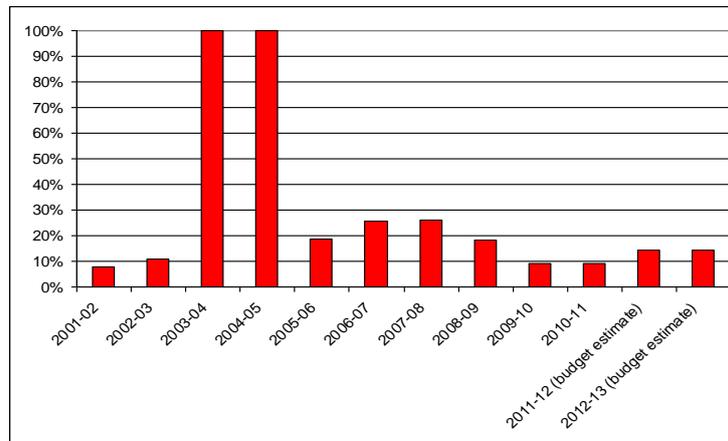


*Source: Senate Estimates; budget documents.*

About 80% of Australia's aid program to Afghanistan is focused on national-level development. The other 20% is focused on Uruzgan, where the Australian Defence Force is based. This is partly through the Provincial Reconstruction Team and partly through AusAID. Australia also tries to steer some of its national funds to the benefit of Uruzgan. Compared to other donors, Australia appears to have a relatively high proportion of its aid directed to national programs. This is a strength of the program, since, as discussed later, the effectiveness of national aid is likely to be higher than that of aid to Uruzgan.

Finally, it should be recognized that Australian aid to Afghanistan is only one part of the broader Australian effort in that country. This is brought out by Figure 9 which shows Australian aid spending as a proportion of combined aid and defence spending. Apart from 2003-04 and 2004-05, where Operation Slipper (under which Australia's military operations in Afghanistan are deployed) was unfunded, the aid program has only been a small amount (10-20%) of the combined Australian military-aid effort in Afghanistan.

**Figure 9. Australian aid spending as a proportion of combined aid and defence spending, 2001-2013**



Source: Budget documents.

## 5. Strategy

In December 2010, AusAID produced a document titled *Australia's strategic approach to aid in Afghanistan*, which covered the period 2010-2012. While it is a step forward to have a country strategy, several comments need to be made on this strategy.

First, it is ambiguous whether this is a strategy for the aid program as a whole or for that part of the aid program delivered by AusAID. On the one hand, the document begins by saying that it “lays out Australia’s strategic approach to the delivery of aid in Afghanistan.” However, the objective of the aid program is at one point said to be Australia’s objective (p.1) and at another point AusAID’s objective (p.12). In the latter case, the objective is described as AusAID’s objective “to support broader Australian Government efforts.” This sort of ambiguity is unfortunate. As is normally the case with country strategies, they should be for all aid, not just for AusAID.

### *Recommendation 4*

*That aid strategies for Afghanistan should be unambiguously for all Australian aid not just that provided by AusAID.*

Second, the objective itself is questionable. The objective (either for all aid or for aid from AusAID) is said to be “*building the Afghan Government’s capacity to deliver services*

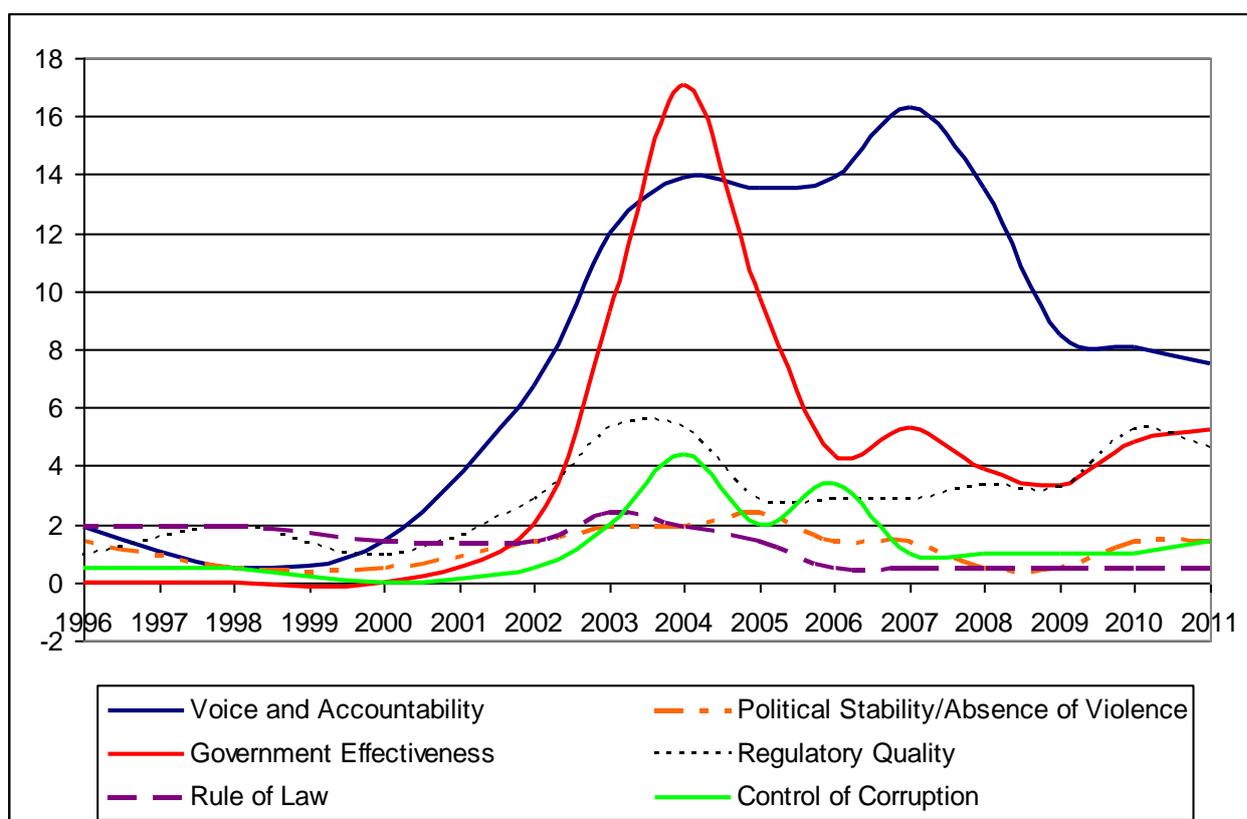
*and provide economic opportunities to its people.”* This can be described as a capacity building objective. Capacity building in turn can be described as the holy grail of aid. Throughout the decades, aid programs around the world have sought to build capacity but with very mixed success. The key flaw with capacity building objectives and programs is that they assume that the deficient capacity is the product of technical and financial weaknesses, and therefore that providing additional financing and technical inputs will help fill that capacity. Typically, however, capacities, if they need to be built, are deficient for other more political reasons. This is certainly the case in Afghanistan. Capacity is weak because the government is vulnerable and has limited legitimacy.

Because of the deep-rooted domestic causes of limited capacity, the ability of aid to build capacity is severely limited. As Paul Collier has shown in his book *The Bottom Billion* on average it takes seventy years for a country to move out of “fragile state status”. Aid and security operations can, at best, help stabilize a country and provide a safety net, but they cannot put it on the path to prosperity. This is a key lesson which Australia has learnt from interventions in the Solomon Islands and in Timor Leste, and it is one which applies even more strongly to Afghanistan. Australia has had very limited success in building capacity in these two neighbouring countries when it has been the major donor, and it is has been able (by and large) to win the peace. In Afghanistan, where Australia is a *very* minor donor, and where violence continues to be a major problem, a capacity building objective is completely unrealistic.

Moreover, if the objective of Australian aid is actually to build government capacity then it has failed. Government capacity can be examined by a group of indices provided the World Bank Institute which measure different aspects of the quality and capacity of government. The most obvious measure of government capacity is government effectiveness, but other measures such as stability, control of corruption, rule of law, and voice & accountability are also important. Regulatory quality is relevant to the provision of economic opportunities. Figure 10 below shows the progress of Afghanistan in relation to these six indicators in terms of its percentile ranking among the 215 countries for which such data is available. Unfortunately, for most of the last decade, Afghanistan has been bumping along the bottom of these governance indicators.

It showed a significant increase in government effectiveness and voice of accountability in the mid-2000s, but most of the gains made then have since been lost. In relation to rule of law, control of corruption, and political stability/absence of violence Afghanistan is in the worst 2% of countries. In relation to regulatory quality, government effectiveness and voice/accountability Afghanistan is numbered among the worst 8% of countries.

**Figure 10. WBI governance indicators for Afghanistan, 1996 to 2011**  
(percentile ranking, where 0=worst, 100=best; ranking out of 215 countries)



Source: WBI Governance Indicators <http://info.worldbank.org/governance/wgi/index.asp>

Finally, the capacity building objective is inconsistent with the nature of most of the Australian aid activities taking place. Most of these aid activities support the delivery of services. It would be better to describe the objective of the aid program as being to “assist the Afghan Government to deliver services and provide economic opportunities.” This would avoid the false implication that the aid program is helping build capacity in the government to deliver services even without aid.

### *Recommendation 5*

*An objective of building government capacity is inappropriate and overly ambitious for the Australian aid program to Afghanistan. Moreover, if that is taken as the objective, Australian aid has clearly failed. A more realistic objective is one of helping the Afghanistan government deliver services and provide opportunities.*

Third and lastly, the diagnosis within the strategy document makes no reference to the illegal production of poppy except to say that it existed under the Taliban (p.5). But poppy production continues to be important for Afghanistan. According to ACFID, Afghanistan accounts for 90% of global heroin production. According to The Liaison Office, quoting from the 2011 Afghan Opium Survey, in Uruzgan there was a 45% increase in opium poppy cultivation from 2010 to 2011 (from 7,337 ha to 10,620 ha).<sup>1</sup> In some districts in Uruzgan, 50-80% of the population is involved in opium poppy cultivation. Rural development is one of the Australian aid program's pillars, but at no point does the strategy talk about poppy production. This is very odd.

### *Recommendation 6*

*Especially given the explicit focus of the Australian aid strategy in Afghanistan on rural development, rather than avoiding the issue, Australia's aid strategy should contain explicit analysis of the prevalence and trends in poppy production in Afghanistan and develop a position on whether one of the aims of our aid is to reduce poppy production and, if so, what strategies will be used.*

## **6. Development effectiveness**

This section examines the development effectiveness of Australia's aid to Afghanistan. The next section examines the strategic effectiveness.

---

<sup>1</sup> TLO 2012 *Uruzgan: 18 months after the Dutch/Australian Leadership Handover: A TLO provincial report*, The Liaison Office, p. 32, available: [http://www.tloafghanistan.org/images/PDF\\_Provincial\\_District\\_and\\_Area\\_Assessments/2012%20APRIL%20TLO%20Uruzgan%20Report%20Mid%202010\\_%20End%202011.pdf](http://www.tloafghanistan.org/images/PDF_Provincial_District_and_Area_Assessments/2012%20APRIL%20TLO%20Uruzgan%20Report%20Mid%202010_%20End%202011.pdf)

We are not in a position to make a definitive verdict of the effectiveness of Australian aid to Afghanistan. This would require much more research and information than is at our disposal. Overall, however, it is likely that the effectiveness of Australian aid to Afghanistan is low. This is for two reasons.

First, as is well established, the primary determinant of aid effectiveness is the effectiveness of the government of the country that receives the aid. This is true whether or not that government actually receives the aid. Whether or not this is the case, more than anything else the recipient government establishes the enabling (or disabling) environment within which aid is disbursed. As long ago as 1985, an OECD Development Assistance Committee review concluded: “one of the compelling lessons of experience is that aid can only be as effective as the policy, economic and administrative environment in which it operates.”<sup>2</sup> The subsequent almost three decades of experience with aid have only confirmed this finding. Given this, and given the very weak performance and capacity of the Afghanistan government, not to mention the difficult security environment, it is highly likely that overall aid effectiveness in Afghanistan is low.

Second, it is equally well-established that the problems which aid can cause at a country-wide level are more likely to arise when aid is provided in large volumes. Large amounts of aid relative to the size of the receiving economy can lead to problems such as Dutch Disease (appreciation of the real exchange rate), rent-seeking, and a high level of transactions costs associated with aid. While it is difficult to find evidence for this in any country, Afghanistan’s high level of aid dependency must give rise to the suspicion that whatever benefits aid to Afghanistan brings there are also serious costs.

That said, there are some features of the Afghanistan program which are positive, which would benefit from the Committee’s scrutiny and which deserve consideration for

---

<sup>2</sup> World Bank 2008 *Aid Architecture*, The World Bank, p.33, available: [http://siteresources.worldbank.org/IDA/Resources/Aid\\_Architecture-May2008.pdf](http://siteresources.worldbank.org/IDA/Resources/Aid_Architecture-May2008.pdf)

wider replication across the aid program. We highlight two.

First, the Afghanistan aid program is unusual in the context of Australian aid in that it includes budget support, that is, aid from the Australian government to the Afghanistan government which is not earmarked to particular expenditures but available for general government expenditure.

Australia has traditionally (at least after the experience in PNG in the 80s and 90s) been wary of providing budget support through aid. There has in recent times been an increase the share of Australian aid disbursed through partner government systems, but the latest figures, available for 2009-10, show that such aid still accounts for less than 10% of all aid.<sup>3</sup> And most of this aid would be, though disbursed through government systems, still earmarked to specific expenditures. There are very few if any other cases of the Australia providing budget support, certainly not on an annual basis as it is to Afghanistan.

Not only does Australia provide budget support to Afghanistan, but it does so in large volumes. The most recent figure we have available is for 2009-10 and for that year out of a total AusAID expenditure of \$56 million \$25 million was in budget support for the Afghanistan government.

Australia provides budget support to the Afghanistan Government through the World Bank managed Afghanistan Reconstruction Trust Fund. About half is tied to government programs (such as in health, education, and the community-based National Solidarity Program) and about half is untied. By all accounts, both parts work well. The World Bank management provides useful coordination and oversight. We have been informed that AusAID has funded a review of the ARTF. A summary of the outcomes of the report were expected to be announced and discussed at the 2012 Tokyo Conference, though, as far as we can ascertain, nothing has yet been released. The Committee's investigation would benefit from access to the review's preliminary findings.

---

<sup>3</sup> This is shown in the 2011 Independent Review of Aid Effectiveness, Figure 2.8, p. 64, available: <http://www.aidreview.gov.au/publications/aidreview.pdf>

It is widely accepted that most of the corruption involving aid in Afghanistan has occurred with aid that went outside of government systems rather than aid which went through the ARTF. Aid projects directly implemented by donors often seem to involve deals with various middle-men and war-lords, and indeed one purpose of such aid may be to buy the support of such groups. Of course, the Afghanistan Government is itself highly corrupt, but the corruption does not seem to operate primarily through the largely recurrent and service delivery areas which the ARTF funds. This is not to say that none of the on-budget aid is wasted. Consider the aid which finances a teacher who does not turn up to school or who cannot read (having perhaps obtained their job by political connections). Or the aid which covers the costs of corrupt or violent police. Overall, however, the ARTF, which has been extensively and publicly reviewed (see [here](#)), seems to be an effective aid delivery mechanism.

There are risks and downsides to the provision of budgetary support. But Afghanistan also suggests that there are strong benefits which could be applied to the Australian aid program in other countries.

#### *Recommendation 7*

*The effectiveness of the largest component of the Australian aid spend in Afghanistan, the contributions to the Afghanistan Reconstruction Trust Fund, is likely to be comparatively high. Such regular use of budget support is extremely rare in the Australian aid program worldwide. Given the relative success in Afghanistan, budget support should be considered for more regular and widespread use in other aid recipient countries.*

The second positive feature of the Australian aid program in Afghanistan is its heavy reliance on non-government organizations. The figures we have seen suggest that 23% of the Afghanistan aid program goes through NGOs (9% to the International Red Cross, 14% to Australian and national NGOs in 2009 according to ACFID). Some NGOs provide important humanitarian aid (Red Cross, MSF). For such NGOs, neutrality is critical. Other NGOs deliver services on behalf of the Afghanistan government. While we do not

have access to independent evaluations, overall it would seem (and is consistent with international evidence) that the NGOs do a good job in delivering health and education services.

While more work would be needed to establish this with a high degree of confidence, it should also be asked why AusAID hasn't made more use of NGOs to deliver services in other fragile settings, including PNG, where the opposite approach has been taken and AusAID has been determined to work with state providers to the neglect of NGOs and church-based providers. While recent reforms suggest this may be starting to change, the Afghanistan experience suggests that a lot more use could be made of NGOs to deliver services in fragile-state environments.

*Recommendation 8*

*The heavy reliance on NGOs to deliver services in Afghanistan appears to have worked well. Though more evidence is required to establish this definitively, the Afghanistan experience should also be used to ask why the Australian aid program has not made more use of non-state actors in fragile-state settings.*

While these two positive features of the aid program are important ones, we are also obliged to mention one which appears to be negative, that is aid directly provided by Australian agencies – the ADF and AusAID – to Uruzgan. It is very hard to see aid to Uruzgan, other than perhaps humanitarian aid and support for NGOs for service delivery, as effective. We say this even though we have very little information on results on the ground simply because it is very hard to see Uruzgan as remaining under Afghanistan Government control post the Transition Period. In addition, the extreme insecurity in Uruzgan also challenges effectiveness. The delivery of aid by the ADF is also unlikely to be sustainable as it seems to be heavily focused on building infrastructure (roads that may not be maintained, schools that may lack teachers).

There is also heavy use in Afghanistan of AusAID staff and experts hired through the Australian Civilian Corps as Development Advisers to “mentor line departments to

improve planning and service delivery.”<sup>4</sup> These advisers have apparently helped Uruzgan officials develop a Provincial Development Plan. This sort of technical assistance is almost certainly a waste of money (and, more importantly, an unnecessary risk to human life) for three reasons. First, the staff while no doubt capable and committed may or may not have the skills, experience and credibility to act as mentors, especially to sometimes much older officials, quite possibly with a background grounded in conflict and combat. Second, technical assistance has a very poor track record in weak-governance environments. For example, a 2005 evaluation of World Bank attempts at capacity building in Africa (2005) found:

“The Bank’s traditional tools – technical assistance and training – have often proved ineffective in helping to build sustained public sector capacity.”<sup>5</sup>

Third, it is typical that such efforts (that is, the provision of technical assistance in a difficult governance environment) focus on planning documents, as is the case in Uruzgan. After all, plans are some things that can be conceived at a desk, and which result in an output (the published plan), and suggest progress. But in difficult environments, experience suggests that plans are typically irrelevant. What is needed instead is implementation. Typically, in weak governance environments, plans sit on the shelf, and play little or no useful role at all.

#### *Recommendation 9*

*While more evidence is needed to obtain a definitive verdict, it is likely that the overall effectiveness of aid to Afghanistan is low given the country’s very poor governance, high levels of violence, and high degree of aid dependency. The effectiveness of ADF infrastructure and AusAID technical assistance provided to the Uruzgan Government is likely to be particularly low, especially given the likely*

---

<sup>4</sup> AusAID, *Australia’s strategic approach to aid in Afghanistan 2010-2012*, p. 11.

<sup>5</sup> World Bank 2005, *Capacity Building in Africa: An OED Evaluation of World Bank Support*, The World Bank, p. viii, available:

[http://lnweb90.worldbank.org/oed/oeddoelib.nsf/24cc3bb1f94ae11c85256808006a0046/5676a297fe57caf685256fdd00692e32/\\$FILE/africa\\_capacity\\_building.pdf](http://lnweb90.worldbank.org/oed/oeddoelib.nsf/24cc3bb1f94ae11c85256808006a0046/5676a297fe57caf685256fdd00692e32/$FILE/africa_capacity_building.pdf)

*reversal of gains post-troop-withdrawal and should be discontinued or at least wound back.*

Finally, on the issue of development effectiveness, we point to a number of conclusions of the US Senate Foreign Relation Committee's comprehensive 2011 staff report evaluating US Foreign Assistance to Afghanistan.<sup>6</sup> The report states:

High staff turnover, pressure from the military, imbalances between military and civilian resources, unpredictable funding levels from Congress, and changing political timelines have further complicated efforts. Pressure to achieve rapid results puts our civilians under enormous strain to spend money quickly." (p. 2-3).

Of particular note are the conclusions around turnover, traditionally a problem in AusAID and probably very high in Afghanistan, where rotations are kept short to manage stress. We suggest the Committee enquire further into whether high turnover is a problem for Australian aid as it is for US aid.

The US report also notes:

"Perhaps the single most important step the U.S. Government can take is to work with the Afghan Government and other donors to standardize Afghan salaries and work within Afghan Government staffing constraints. Donor practices of hiring Afghans at inflated salaries have drawn otherwise qualified civil servants away from the Afghan Government and created a culture of aid dependency." (p. 3).

Again this would be a good topic for the Committee to enquire into.

---

<sup>6</sup> US Senate 2011 *Evaluating US Foreign Assistance to Afghanistan*, A majority staff report prepared for the use of the Committee on Foreign relations, available : <http://www.foreign.senate.gov/imo/media/doc/SPRT%20112-21.pdf>

*Recommendation 10*

*It would be useful for the Committee to enquire into whether the problems found by the US Senate enquiry, in particular relating to salaries and turnover, are also problems for Australian aid.*

## **7. Strategic effectiveness**

As noted at the start of this submission, it would be unrealistic, misleading and incomplete to assess the effectiveness of Australian aid only by reference to a development objective. Strategic objectives are also important. The AusAID strategy referred to earlier refers to the two broader objectives of Australian involvement in Afghanistan as being to prevent it becoming a safe haven for terrorism and to support Australia's Alliance commitment to the United States. It notes that the role of aid is to promote not only the effectiveness but the legitimacy of the Afghan government (p. 11).

This strategic objective for aid in contexts of counter-insurgency is often called winning hearts and minds. The essential aim of aid from this perspective is to undermine insurgency and build support for the existing, but threatened, government and/or its international allies.

It is important to recognize that this is not a new objective. The literature on hearts and minds spans many decades and encompasses many different actors and environments from Malaya in the late 1940s to Afghanistan today.

The concept of winning 'hearts and minds' is often attributed to the British administrator Lt. Gen. Sir Gerald Templer<sup>7</sup>, who served during part of the 1948-60 Malayan Emergency, and argued in 1952 that "the answer lies not in pouring more

---

<sup>7</sup> Fitzsimmons, M 2008 'Hard Hearts and Open Minds? Governance, Identity and the Intellectual Foundations of Counterinsurgency Strategy,' *Journal of Strategic Studies*, vol. 31, no. 3, p. 337.

troops into the jungle, but in the hearts and minds of the people.” According to the U.S. Army’s *Counterinsurgency* manual, hearts and minds means:

Hearts and minds consists of two separate components. ‘Hearts’ means persuading people that their best interests are served by counterinsurgency (COIN) success. ‘Minds’ means convincing them that the force can protect them and that resisting is pointless. Note that neither concerns whether people like soldiers and marines. Calculated self-interest, not emotion is what counts.<sup>8</sup>

The majority of the earlier literature on the strategic impact of aid (in Malaysia and Vietnam) has found mixed effectiveness in hearts and mind campaigns.<sup>9</sup>

In the more recent episodes, there is again mixed support for the use of aid to achieve strategic objectives. Berman and Shapiro’s study of hearts and minds policy in Iraq finds that the billions of dollars spent on reconstruction in Iraq did lead to a reduction in violence as measured by attacks recorded by Coalition and Iraqi security forces.<sup>10</sup>

In Afghanistan empirical studies conducted thus far have found mixed results. The literature is limited to a few studies because of the difficulty of obtaining data, as well as the lack of dedicated monitoring and evaluation of programs. Few international agencies have designed projects with adequate pre, during and post-assessment mechanisms<sup>11</sup> leading to a severe shortage of qualitative and quantitative information.

One of the most comprehensive “hearts and minds” aid studies available for Afghanistan has been undertaken by The Feinstein Centre at Tufts University across five Afghan provinces: Balkh, Faryab, Helmand, Paktia and Uruzgan.

---

<sup>8</sup> Department of the Army 2006 *Counterinsurgency*, FM 3-24/MCWP, p. A-5.

<sup>9</sup> Nagl, JA, 2005. *Learning to Eat Soup with a Knife: Counterinsurgency Lessons from Malaya and Vietnam* 1st ed., Chicago: University Of Chicago Press.

<sup>10</sup> Berman, E, et al 2011 ‘Can Hearts and Minds Be Bought? The Economics of Counterinsurgency in Iraq’, *Journal of Political Economy*, vol. 119, no. 4, p. 810.

<sup>11</sup> Wilton Park Conference 2010 Winning Hearts and Minds in Afghanistan: Assessing the Effectiveness of Development Aid in COIN Operations, Report on Wilton Park Conference 1022, 11-14 March. West Sussex.

The study of Faryab<sup>12</sup> province finds that perceptions of aid donors are “markedly negative”. Perceptions of government are negative also, with legitimacy being influenced by the negative reputation and capacities of the top layer of government rather than by aid projects.

Perceptions of aid were found to be marginally more positive in the Feinstein Centre’s study of Balkh Province<sup>13</sup>. There was no consistent objection to international military forces undertaking development activities. Respondents in Balkh province felt they were penalised for being ‘peaceful’ and therefore did not receive as much aid as more insecure provinces. In contrast, a study of Helmand province (which is more insecure than Balkh) found perceptions of international aid and military delivery of aid to be consistently negative and corruption to be pervasive. The slow pace of reconstruction, poor project design, perceptions of corruption, and lack of local ownership undermined positive perceptions of aid.<sup>14</sup>

In Uruzgan, research suggests that insecurity is largely a result of poor governance. Corruption, tribal politics and the heavy handedness of international forces have all negated any positive effects of aid. Aid was perceived to be poorly distributed and highly corrupt.<sup>15</sup> To quote from the report:

Similar to the four other provinces included in the study, respondents were highly critical of aid projects, mainly because aid was perceived to be both poorly distributed and highly corrupt, benefitting mainly the dominant powerholders. Uruzgan provided ample evidence of the destabilizing effects of aid projects. Given the characterization of aid projects as monopolized by people who were cruel and unjust, there was skepticism about the extent to which aid projects could contribute to security.” (p. 4).

---

<sup>12</sup> Gompelman, G 2011 *Winning Hearts and Minds? Examining the Relationship between Aid and Security in Afghanistan’s Faryab Province*, Feinstein International Center, Tufts University.

<sup>13</sup> Fishstein, P 2010 *Winning Hearts and Minds? Examining the Relationship between Aid and Security in Balkh Province*, Feinstein International Center, Tufts University.

<sup>14</sup> Gordon, S 2011 *Winning Hearts and Minds? Examining the Relationship between Aid and Security in Afghanistan’s Helmand Province*, Feinstein International Center, Tufts University.

<sup>15</sup> Fishstein, P 2012 *Winning Hearts and Minds in Uruzgan Province*, Feinstein International Center, Tufts University.

The other major Afghanistan study, Beath et al., has more positive findings.<sup>16</sup> This study used a randomised field experiment, where of the 500 villages sampled, half were randomly assigned to receive a community driven development program. The introduction of the National Solidarity Program – the largest aid program in the country – resulted in significant improvements in perceptions of economic wellbeing as well as people’s attitudes to all levels of government. The program also led to increased perceptions of security, even though it did not have any effect on the actual security environment.

To summarise, it would appear that aid often (including in Uruzgan where Australian efforts are concentrated) fails to achieve its strategic objectives because the aid is itself tainted and ineffective. If aid is seen as going to people who are “cruel and unjust,” it will not succeed in changing attitudes. The Beath study confirms this finding by providing the opposite case: where the aid is seen as being fairly given and not in support of a very corrupt government (as seems to have been the case in the National Solidarity Program, at least in the villages surveyed) then aid will help win hearts and mind.

Overall, the lesson appears to be that where aid is developmentally effective it will also be effective in achieving its strategic goals. The former is much easier said than done, and it is hardest in provinces where the governance is weakest and the insurgency strongest, such as Uruzgan. While the direct evidence is not conclusive, it appears highly unlikely that Australian aid has achieved its strategic objectives.

## **8. Transparency, monitoring and evaluation**

Although the Australian aid program in general has become more transparent over time and monitoring and evaluation have improved over time, practice in regard to Afghanistan has lagged. A number of indicators support this finding:

---

<sup>16</sup> Beath, A, Christia, F & Enikolopov, R, 2011. Winning Hearts and Minds Through Development: Evidence from a Field Experiment in Afghanistan. *SSRN eLibrary*. Available at: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1809677](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1809677)

- AusAID has released a number of evaluations from recent years.<sup>17</sup> None of them relate to Afghanistan.
- Most countries which receive significant volumes of Australian aid now have “transparency pages” on the AusAID website where key strategies and documents are provided: not Afghanistan.
- Since 2006 AusAID has released an Annual Performance Report, in that year and/or one more recently for nearly every bilateral aid recipient. Afghanistan is one of the few exceptions, and the only one for a major aid program (certainly the only one in the top ten). The other exceptions (and their 2012-13 allocated budgets) are Iraq (\$36.6m), Palestinian Territories & Other Middle East (\$56m) and Latin America (\$27.2m).
- The Office of Development Effectiveness was established in 2006. It has conducted several country and sectoral evaluations, but never a country evaluation of Afghanistan or a sectoral evaluation which draws on Afghan experience.
- John Eyers has undertaken a survey of evaluations of Australian aid to fragile and conflict-afflicted states, of which Afghanistan is clearly one.<sup>18</sup> It is evident from his survey that Australian aid to Afghanistan has hardly been evaluated at all. As he also notes, there has been little evaluation of whole-of-government aid, that is, aid delivered by departments other than AusAID. As noted, this is a form of aid that is particularly prominent in Afghanistan.

It is true, of course, that monitoring and evaluation is harder in Afghanistan than just about anywhere else in receipt of Australian aid. But this is all the more reason for emphasis to be given by the Australian government itself to monitoring and evaluation.

---

<sup>17</sup> See the website [http://ausaid.gov.au/publications/pages/2449\\_4722\\_245\\_1463\\_2026.aspx](http://ausaid.gov.au/publications/pages/2449_4722_245_1463_2026.aspx)

<sup>18</sup> Eyers, J 2012 ‘Aid to Fragile and Conflict-Affected Countries: A Review of the Literature and Australia’s Approach,’ *Development Policy Centre Discussion Paper no. 21*, available: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2103471](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2103471)

It should in particular be noted that the annual performance reports are reports by management. It is remarkable that AusAID has not thought it necessary to provide a report by management on its aid to Afghanistan even though there are so many questions around whether it represents value-for-money.

*Recommendation 11*

*The same standards of transparency, monitoring and evaluation should apply to aid to Afghanistan as to aid to other countries, and to aid from other government departments as to aid from AusAID.*

*Submitted 10 October 2012*