

**MEMORANDUM OF UNDERSTANDING
“DEVELOPMENT FRAMEWORK AGREEMENT”**

BETWEEN

**THE GOVERNMENT OF THE ISLAMIC REPUBLIC
OF AFGHANISTAN**

AND

THE GOVERNMENT OF AUSTRALIA

2012-2017

MEMORANDUM OF UNDERSTANDING

On the Memorandum of Understanding (herein after “MoU”) between the Government of the Islamic Republic of Afghanistan (herein after referred to as “Afghanistan”) and the Government of Australia (herein after referred to as “Australia”) (herein after also referred to individually as “a party” and collectively as “the parties”),

Seeking to articulate a MoU between the parties on protocol and to facilitate Australia’s development assistance contribution to Afghanistan, have agreed as follows:

1. OBJECTIVES AND PRINCIPLES

1.1 Building on the parties existing record of cooperation, this MoU establishes their shared vision to work together in close cooperation to meet their common Development Cooperation objectives and to achieve improved development, peacebuilding and statebuilding outcomes for the people of Afghanistan, in line with the *Afghanistan National Development Strategy 2008-13 (ANDS)* or successor strategies, the National Priority Programs (NPPs), sectoral plans, Afghan Millennium Development Goals (MDGs), the *Tokyo Mutual Accountability Framework*, Afghanistan’s Aid Management Policy, the Tokyo Communiqué, and the fundamental objective of the Australian aid program, which is to help people overcome poverty.

1.2 This five year MoU (2012-2017) sits under the *Comprehensive Long-term Partnership between Afghanistan and Australia* that frames a partnership between the parties in the areas of political, security, development, trade and investment, migration and humanitarian affairs, and cultural and people-to-people links.

1.3 This MoU underlines the parties’ commitment to building the Government of Afghanistan’s capacity to deliver basic services and provide economic opportunities to the Afghan people. It recognizes the desire of the parties to strengthen existing cooperation and confirms their shared commitment to supporting the development needs of Afghanistan and its people.

1.4 Through this MoU Australia reaffirms and formalizes Australia’s long-term commitment to development cooperation with Afghanistan in accordance with the Australian Government’s aid policy, *An Effective Aid Program for Australia: Making a real difference—Delivering real results* and guided by *Australia’s Strategic Approach to Aid in Afghanistan 2010-12*, and its successors, the *New Deal for Engagement in Fragile States*, the *Tokyo Mutual Accountability Framework*, Afghanistan’s Aid Management Policy, and the Tokyo Communiqué.

1.5 The MoU is based on the principles of mutual trust, mutual responsibility and mutual accountability for improved development outcomes. The parties recognise that constructive state-society relations, and the empowerment of women, youth and marginalised groups, as key actors for peace, are at the heart of successful peacebuilding and statebuilding. Reflecting these principles, the parties acknowledge:

- Afghanistan's leadership and ownership of its own policies and programs for improved governance and economic and social development, including its long-term development aspirations
- the commitment to build trust by providing aid and managing resources more effectively and aligning these resources for results, including through joint, regular and evidence-based reviews of progress against the objectives and commitments of the MoU and jointly agreed performance measures, using independent review mechanisms where appropriate; and
- the commitment to ensure more transparent use of aid through domestic oversight mechanisms, including national parliaments and people, on the contribution of national resources to improved governance, economic and social development in Afghanistan.

2. PARTNERSHIP PRIORITIES

2.1 Partnership priorities will support Afghanistan in achieving the Millennium Development Goals (MDGs) and the New Deal Peacebuilding and Statebuilding Goals (PSGs), reducing poverty, ensuring sustainable development through a private-sector-led market economy, promoting gender equality and empowering women, and building human capacity through improved access to and enhanced quality of education and better access to health services.

2.2 Partnership priorities will be informed by the NPPs' priority clusters and sector plans.

2.3 Partnership priorities will be informed by the *ANDS 2008-2013* and successor strategies, and the Tokyo Communiqué which serve as Afghanistan's Poverty Reduction Strategy Paper using the pillars, principles and benchmarks of the *Tokyo Mutual Accountability Framework* as a foundation. The pillars and goals of the *ANDS* are noted as:

- **Security:** Achieve nationwide stabilisation, strengthen law enforcement, and improve personal security for every Afghan.
- **Governance, Rule of Law and Human Rights:** Strengthen democratic processes and institutions, human rights, the rule of law, delivery of public services and government accountability.
- **Economic and Social Development:** Reduce poverty, ensure sustainable development through a private-sector-led market economy, improve human development indicators, and make significant progress towards the MDGs.

2.4 Consistent with the parties' mutual accountability for results through joint, regular and evidence-based review of progress against the objectives and commitments of the MoU, both governments commit to measuring performance using development and

governance indicators from the *ANDS 2008-2013 Sector Strategy Results Framework* or its successors, the MDGs as adapted to the Afghanistan context, a proposed *Performance Assessment Framework* (PAF) for Australia's aid program, the *Tokyo Mutual Accountability Framework*, Afghanistan's Aid Management Policy, the Tokyo Communiqué, and internationally accepted measures of performance as appropriate including the indicators for the Peacebuilding and Statebuilding Goals.

2.5 The parties will consider positively new requests to progressively strengthen and extend this MoU, through jointly decided arrangements for governance and review.

3. COMMITMENTS

3.1 The Government of Australia hereby confirms its commitment to the Government of the Islamic Republic of Afghanistan to:

- provide Official Development Assistance (ODA) to reinforce strong Afghan leadership and ownership of effective development strategies and programs, including channelling at least 50 per cent of funding through Afghan systems and aligning 80 per cent of assistance to NPPs that align with Australia's strategic development priorities for Afghanistan, in accordance with the shared responsibilities and commitments set out in the Kabul Process and the Bonn Conference
- deliver assistance guided by the five strategic goals in *An Effective Aid Program for Australia*: saving lives; promoting opportunities for all; sustainable economic development; effective governance; and humanitarian and disaster response, or as outlined in successor strategies, and in line with the approach outlined in the *New Deal for Engagement in Fragile States* and Afghanistan's Aid Management Policy
- deliver assistance guided by Australia's current development, peacebuilding and statebuilding objectives in Afghanistan, as articulated in the four pillars of *AusAID's Strategic Approach to Development in Afghanistan 2010-2012*: basic service delivery, rural development, governance and humanitarian assistance or successor strategies
- deliver assistance in sectors where Australia has particular expertise, comparative advantage and can have the most impact, with particular focus on education, agriculture, mining and public financial management to improve social and economic development for the people of Afghanistan, end violence against women, and ensure the equality of men and women, boys and girls
- deliver assistance to Uruzgan Province that will help to improve social and economic development with particular emphasis on education, agriculture, and road infrastructure
- deliver a jointly-determined program of high quality financial, technical, and policy support to assist Afghanistan to implement strategies and programs, and share knowledge and skills with local counterparts to build capacity for effective national, provincial and civil society institutions

- provide high quality training, including scholarships, to build the capacity of the Afghan Government
- commit to increase the predictability of aid, including by affirming commitments on an annual basis, and publishing three-to-five year indicative forward estimates. with scope for increases where jointly-determined performance criteria are met, preferably within the commitment period
- commit to assist Afghanistan with the measurement of results against jointly-determined performance criteria, preferably within the period of any multi-year commitment
- under Afghan coordination and leadership, report transparently on implementation, including by facilitating joint approaches and exchanges between and with other development partners.

3.2 The Government of the Islamic Republic of Afghanistan hereby confirms its commitment to the Government of Australia to:

- consistent with the Constitution and laws of Afghanistan, develop and implement a prioritised and sequenced set of NPPs further to the *ANDS 2008-2013* or successors and other programs to achieve the Afghan MDG targets; make tangible progress towards a democratic society, where the equality of men and women, and the active participation of both in Afghan society are respected; and conduct transparent, inclusive and credible elections in accordance with the shared responsibilities and commitments set out in the Kabul Process and the Bonn Conference
- develop national plans in consultation with civil society and monitor, review and adjust those plans in consultation with key stakeholders on an annual basis
- implement the NPPs as its medium term development framework to generate employment and improve livelihoods, establish and strengthen people's security, address injustices and increase people's access to justice, manage revenue and build capacity for accountable and fair service delivery and foster inclusive political settlements and conflict resolution
- continue to implement reforms to strengthen its public financial management systems, and build related fiduciary and administrative capacity within country institutions at national and local levels, seek to increase the proportion of public expenditure funded by domestic revenues, reduce corruption, and adopt sound macroeconomic and fiscal policies with improved budget planning and execution and increased revenue collection at national and sub-national levels
- improve the future of women and girls by prioritising health and education outcomes, and finalising and implementing the National Action Plan to implement UNSCR 1325

[involving women in peace negotiations and ensuring their participation in the promotion of peace and security]

- effectively coordinate the Afghan NPPs and development partner programs, including through improved donor coordination mechanisms and arrangements
- ensure the resources of Afghanistan and Australia are managed effectively in accordance with Afghanistan's Aid Management Policy, and aligned for results, optimising the use of aid to achieve improved development outcomes for all Afghan people that are consistent with Afghanistan's development priorities
- assist Australia with the measurement of results against jointly determined performance criteria, preferably within the period of any multi-year Australian commitment.

4. LEVELS AND FORMS OF DEVELOPMENT ASSISTANCE

4.1 The Governments of Afghanistan and Australia note the commitment by Australia to increase the predictability of development assistance and, where possible, make long-term, significant commitments of development assistance, affirmed on an annual basis, with scope for increases taking into account progress against MoU commitments.

4.2 The parties note the commitments announced by Australia at the Chicago NATO ISAF Leaders Summit, to increase development assistance to Afghanistan by 2015-16, and to stay engaged with Afghanistan to the end of this decade at least.

4.2 Annual Development Cooperation Dialogues will consider how Australia's ODA contributions most appropriately meet Afghanistan's development financing requirements.

4.3 Consistent with commitments to the MDGs, the *New Deal for Engagement in Fragile States*, Afghanistan's Aid Management Policy, the *Tokyo Mutual Accountability Framework*, the *Paris Declaration* and *Accra Agenda*, Australia will emphasise alignment of ODA with Afghanistan's priorities, strategy, policy, planning and finance processes.

4.4 Specific agreement for allocating and disbursing Australian ODA will be determined by Australia in consultation with Afghanistan through the Annual Development Cooperation Dialogues. This includes consideration of arrangements to combine Australian grant financing with the resources of other bilateral donors and multilateral institutions. The delivery modalities may take the form of:

- on-budget assistance (such as through the Afghanistan Reconstruction Trust Fund and Civilian Technical Assistance Program) for national programs and projects delivered by Afghan Government platforms, noting the Kabul Conference commitments by donors including Australia

- support through international organisations and non-government organisations
- high quality technical assistance for capacity development
- high quality training and scholarships to build the capacity of the Afghan Government
- innovative forms of development assistance like building cross-institutional linkages.

4.5 Australia's off-budget assistance will be guided by Afghanistan's Aid Management Policy. Every effort will be made by the parties to conclude Financing Agreements for Australia's off-budget development assistance.

5. OTHER DEVELOPMENT PARTNERS

5.1 This MoU acknowledges existing arrangements between the Afghan Government and other development partners as well as coordination arrangements. Australia will pursue opportunities to work jointly with other donors where possible, particularly on risk-sharing.

5.2 Both parties commit to an effective dialogue with partners using, as appropriate, mechanisms for engaging Afghan stakeholders including government, private sector, civil society and rural community representatives.

6. GOVERNANCE AND REVIEW

6.1 The coordinating authorities under this MoU are, for the Government of Australia, the Australian Agency for International Development (AusAID) and, for the Government of Afghanistan, the Ministry of Finance. AusAID will draw in other Australian agencies that administer ODA to MoU discussions as appropriate.

6.2 Annual Development Cooperation Dialogues between senior officials of the two governments, reporting to Ministers, will ensure joint, regular and evidence-based review of progress against the objectives of the MoU, and will benefit the management of AusAID's program by enabling a clearer focus on results, agreement on resource allocation priorities, and more appropriate risk management. Aid effectiveness is a core value in the MoU, and the parties will work to deliver measurable results and good value for money, while better managing risk and guarding against fraud, in the administration of the aid program. Annual Development Cooperation Dialogues will therefore address:

- the direction, composition and contribution of Australian aid to the development of Afghanistan, including priority areas identified under the *Tokyo Mutual Accountability Framework*
- the effectiveness of the administration of Australian aid in line with *An Effective Aid Program for Australia*, Afghanistan's Aid Management Policy, and Kabul, Bonn and Tokyo Conference commitments

- the yearly results against jointly-determined performance criteria
- future development cooperation between the two countries, including allocation of resources for the forward year.

6.3 Both governments commit to discuss any performance concerns and attempt to resolve issues through dialogue.

6.4 Annual Development Cooperation Dialogues will jointly determine new priorities, commitments and resource allocation priorities under the MoU.

6.5 The performance of Australia's contribution through the aid program to our joint development objectives, outcomes and targets will also be reported and reviewed through the production of an *Annual Program Performance Report*. This will be prepared by Australia, agreed with Afghanistan and be made publicly available.

7. OTHER

7.1 The MoU will place on record the mutual understanding of the parties, will enter into force on the date of signatures, and will remain in place for five years. The MoU may be amended only on written acceptance by the parties of any proposed changes. In the event of translation, the English text of this document will prevail.

7.2 This MoU serves only as a record of the intentions of the parties and does not constitute or create (and is not intended to create) rights or obligations under domestic or international law and will not give rise to any legal process and will not be deemed to constitute or create any legally binding or enforceable rights or obligations (expressed or implied). Consequently, any dispute, controversy or claim which arises out of the interpretation or application of this MoU will not be subject to adjudication or arbitration but will instead be dealt with through amicable consultations and negotiations as the only method of achieving the settlement of that dispute, controversy, or claim.

8. CONCLUSION

8.1 Through this MoU, the parties establish their mutual commitment to a new era of development cooperation, to work together to meet common objectives, assist people to overcome poverty, and improve the quality of life for all Afghans.

8.2 The MoU will take effect from the date of signature in 2012 and be completed five years later in 2017.

Signed at: *Tokyo*

H.E. Dr Hazrat Omar Zakhilwal
Minister of Finance
For the **Government of the Islamic
Republic of Afghanistan**

Senator the Hon Bob Carr
Minister for Foreign Affairs
For the **Government of Australia**

Date: *8 July 2012*

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