

Part II

The effectiveness of Australia's development assistance to Afghanistan

The committee recognises that the need for assistance in Afghanistan remains great after decades of violence, civil strife and political instability that has ruined lives, homes, properties, economic infrastructure and government and private institutions; displaced a large proportion of the population and entrenched poverty. The task of rebuilding the nation and lifting living standards is not only formidable, but a number of significant obstacles make the challenge even more daunting. They include the lack of human capacity; centralised government with weak links to sub-national levels of administration; institutionalized corruption; continuing insecurity; deep-seated gender inequality; and the large number and diverse nature of aid donors with their own priorities.

Since 2001, the international community and the Government of Afghanistan have been working together to help rebuild the country. Numerous conferences have called on the international community to abide by some fundamental principles to guide donors. The foundation document is the Paris Declaration followed by the Afghan compact.

In this part of the report, the committee looks closely at how Australia delivers its aid to Afghanistan. It assesses how well Australia's ODA manages the difficulties generated within Afghanistan. In addition, the committee considers the extent to which Australian ODA adheres to the guiding principles set down in the Paris Declaration of 2005, and reflected in the Afghanistan compact of 2006 and the agreements reached at subsequent international conferences on Afghanistan. They include the 2008 Paris and 2010 London and Kabul meetings. The committee uses the five broad principles spelt out in the 2005 Paris Declaration as a guide to assessing Australia's performance—ownership by Afghanistan, alignment with Afghanistan's national development priorities, harmonisation of assistance so Australia's aid complements the work of others, managing for results and mutual accountability.

The committee considers aid that is delivered through Afghanistan's national budget using the Afghanistan Reconstruction Trust Fund, through multinationals and NGOs and the development assistance that Australia provides more directly to Uruzgan province.

Chapter 5

Afghanistan's national budget

5.1 Since 2000, Australia has provided over \$710 million (to June 2012) in ODA to Afghanistan, which is expected to rise significantly to \$250 million per annum by 2015–2016. In 2011–12, Afghanistan received the fourth largest share of Australia's ODA, an estimated total of \$196.75 million.¹ Indeed, Australia is one of the largest bilateral aid donors to the country.²

5.2 Australia channels its development assistance using two broad avenues—funding that goes to the Afghan Government and funds directed to off budget expenditure. In this chapter, the committee concentrates on aid directed to the Afghan Government.

On-budget support

5.3 For a number of years, the Government of Afghanistan and the international donor community have recognised the benefits of direct funding to the Afghan Government. As part of the 2006 Afghan Compact, donors undertook to increase their proportion of assistance channelled through the core budget, as well as through other more predictable core budget funding modalities in which the Afghan Government participates. In 2008, the international community agreed that aid was to be directed increasingly through the national budget as strengthened and accountable government institutions acquired greater capacity for management. Two years later, donors again reaffirmed their commitment to channel increasing international resources through the Afghan Government budget and in greater alignment with Afghan priorities. Indeed, in Kabul in July 2010, participants to the international conference acknowledged that:

...aid delivered through the budget is among the most effective means of reducing dependence, delivering the shared governance, development and security outcomes that Afghans desire, and increasing the coherence of aid and Afghan Government capacity.³

5.4 To implement the principles of effective partnership with the Afghan government, donors participating in the Kabul meeting and consistent with the London Conference Communiqué, restated their support for channelling at least 50

1 See AusAID Table 13.1. The OECD provides the figure of \$191.1 million <http://www.oecd.org/dac/aidstatistics/AUS.gif> (accessed 12 February 2013).

2 AusAID *Annual Report 2011–12*, p. 111. The corrected figure of \$191.1 million is contained in AusAID answer to question on notice no. 33. OECD statistics record that Australia was placed tenth in the top donors of gross ODA (2001–2011 average), <http://www.oecd.org/dac/stats/AFG.gif> (accessed 1 March 2013).

3 Communiqué, Kabul International Conference on Afghanistan, 20 July 2010, paragraph 7.

per cent of development aid through the Afghan Government's core budget within two years.⁴

5.5 From the beginning, the Australia Government has endeavoured to help build capacity and empower local Afghan authorities to deliver essential services by channelling a considerable amount of its assistance through government programmes. Indeed, since 2003, Australia has directed a significant portion of its aid through the Afghanistan Reconstruction Trust Fund (ARTF) as a means of providing on-budget support. The fund is now the primary vehicle for delivering Australian development assistance to Afghanistan.⁵

Afghanistan Reconstruction Trust Fund

5.6 The ARTF is one of the main avenues through which the international community contributes funds to the Afghanistan Government. The World Bank established the fund in early 2002 to facilitate a partnership between the international community and the Afghan Government for the improved effectiveness of reconstruction and development efforts in Afghanistan.⁶ Funding through this type of mechanism, known technically as on-budget assistance, is the largest single source of external on-budget financing for the Afghan Government.⁷ The fund is:

...a financing mechanism that coordinates assistance from key donors so that the government can make predictable, timely and accurate on-budget payments for approved recurrent and investment costs.⁸

5.7 The Management Committee, which manages the ARTF, consists of the World Bank (as the administrator), the Islamic Development Bank, the Asian Development Bank, and the UN.⁹ The ARTF involves pooling funds with many other donors to support country programs. Since its establishment, 32 donors have provided over US\$4 billion (as of 21 November, 2010), making the ARTF the largest

4 Communiqué, Kabul International Conference on Afghanistan, 20 July 2010, paragraph 8.

5 AusAID Afghanistan, <http://www.ausaid.gov.au/countries/southasia/afghanistan/Pages/home.aspx#aid> and <http://www.ausaid.gov.au/Publications/Pages/artf-head-agreement.aspx> and letter agreement of 2003 between the World Bank and AusAID, <http://www.ausaid.gov.au/countries/southasia/afghanistan/Documents/artf-head-agreement.pdf> (accessed 10 September 2012).

6 The World Bank, 'National Solidarity Project: Promoting Community-Based Development in Afghanistan', <http://www.worldbank.org/af/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/AFGHANISTANEXTN/0,,contentMDK:22888068~menuPK:50003484~pagePK:2865066~piPK:2865079~theSitePK:305985,00.html> (accessed 10 September 2012).

7 Mr Dawson, *Committee Hansard*, 3 December 2012, p. 10.

8 World Bank, *Afghanistan Country Program Evaluation 2002–2011*, Independent Evaluation Group, The World Bank Group, 2013, p. 21.

9 The World Bank, *Afghanistan Reconstruction Trust Fund*, http://siteresources.worldbank.org/INTAFGHANISTAN/Resources/Afghanistan-Reconstructional-Trust-Fund/ARTF_information.pdf (accessed 10 September 2012).

contributor to the Afghan budget for both operating costs and development programs.¹⁰ Its specific objectives are to:

- position the national budget as the key vehicle to align the reconstruction program with national development objectives;
- promote transparency and accountability of reconstruction assistance;
- reduce the burden on limited government capacity while promoting capacity-building over time; and
- enhance donor coordination for financing and policy dialogue.¹¹

5.8 The ARTF contributes to the achievement of the Afghanistan National Development Strategy (ANDS) goals through its support for national priority programs, for operating costs of government (wages for civil servants, operations and maintenance costs etc), and for the policy reform agenda.¹² In this regard, Professor Howes thought it was important to recognise that while the World Bank manages the fund and plays a significant role, the ARTF is a form of budget support. He explained:

That money goes to the Afghanistan government and some of it is earmarked for particular programs like the National Solidarity Program. But parts of it are just general budget support and they need that recurrent funding because they need to employ police and teachers.¹³

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- 10 The recent Independent Evaluation Group's *Afghanistan Country Program Evaluation 2002–2011*, p. 21, recorded that as of December 2011, the 32 donors had pledged \$4.8 billion. See also Ms Browning who informed the committee that 'Since its establishment in 2002 the Afghanistan Reconstruction Trust Fund has successfully mobilised over \$4 billion worth of assistance from around 30 donors, including Australia, which has contributed \$210 million since 2003'. *Committee Hansard*, 3 December 2012, p. 10. See also The World Bank, *Afghanistan Reconstruction Trust Fund*, pp. 5 and 7, http://siteresources.worldbank.org/INTAFGHANISTAN/Resources/Afghanistan-Reconstructional-Trust-Fund/ARTF_information.pdf (accessed 10 September 2012). According to US Government Accountability Office, as of April 2011, 32 donors had contributed about \$4.3 billion to ARTF. ARTF provides these funds through the Afghan government national budget to finance the government's recurrent operating costs and national development programs, United States Government Accountability Office, *Afghanistan: Actions Needed to Improve Accountability of U.S. Assistance to Afghanistan Government*, Report to Congressional Addressees, July 2011, p. 5.
- 11 The World Bank, *Afghanistan Reconstruction Trust Fund*, p. 1, http://siteresources.worldbank.org/INTAFGHANISTAN/Resources/Afghanistan-Reconstructional-Trust-Fund/ARTF_information.pdf (accessed 10 September 2012).
- 12 The World Bank, 'National Solidarity Project: Promoting Community-Based Development in Afghanistan', <http://www.worldbank.org.af/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/AFGHANISTANEXTN/0,,contentMDK:22888068~menuPK:50003484~pagePK:2865066~piPK:2865079~theSitePK:305985,00.html> (accessed 10 September 2012). The World Bank, *Afghanistan Reconstruction Trust Fund*, http://siteresources.worldbank.org/INTAFGHANISTAN/Resources/Afghanistan-Reconstructional-Trust-Fund/ARTF_information.pdf (accessed 10 September 2012).
- 13 *Committee Hansard*, 4 December 2012, p. 15.

5.9 AusAID noted that such funds help countries to take financial assistance from the international community and apply it directly to their budgetary lines for the delivery of services and for other normal essential activities of government.¹⁴ These sorts of arrangements have been in place in a number of fragile, conflict-affected states when support from the international community was most critical.¹⁵

Australia's funding through Afghanistan's core budget

5.10 Australia made its first contribution to the ARTF in 2003 and between 2004–06 continued to support the delivery of essential services through the fund.¹⁶ Consistent with undertakings at the Kabul Conference, Australia committed to allocating 50 per cent of its development assistance to Afghanistan through Afghan systems.¹⁷ According to AusAID, Australia was performing well against this goal and was providing 46 per cent of the AusAID country program in 2009–10 through the ARTF.¹⁸ Australia's contribution to the fund, which is now approximately half of AusAID's country assistance, compares favourably with other donors in relation to directing funds through Afghan systems (see table 14.1).¹⁹ To the end of 2012, Australia had contributed \$210 million to the fund.²⁰

Benefits of funding through the ARTF

5.11 AusAID informed the committee that pooled funding arrangements such as the ARTF have proven to be a very effective way to help the governments of fragile countries meet their immediate service delivery and fiscal challenges.²¹ In AusAID's assessment, the ARTF is one of the better and more effective examples of a pooled funding arrangement and of international better practice in managing international development assistance in a fragile context.²² According to AusAID officials, Australia has achieved significant results from its contributions to date and as a confidence-building measure for donors, the ARTF has proven to be 'very successful

14 Mr Dawson, *Committee Hansard*, 3 December 2012, p. 10.

15 *Committee Hansard*, 3 December 2012, p. 10.

16 AusAID, *Annual Report 2004–2005*, p. 87 and AusAID, *Annual Report 2005–06*, pp. 93–94 and *Committee Hansard*, 3 December 2012, p. 10.

17 AusAID Afghanistan, <http://www.aisaid.gov.au/countries/southasia/afghanistan/Pages/home.aspx#aid> (accessed 10 September 2012).

18 AusAID, *Australia's strategic approach to aid in Afghanistan 2010–2012*, December 2010, pp. 7 and 9; *Committee Hansard*, 3 December 2012, p. 10; and DFAT, *Submission 22*, p. 2.

19 See Table 15.1 in chapter 15 of this report.

20 *Committee Hansard*, 3 December 2012, p. 10.

21 *Committee Hansard*, 3 December 2012, p. 10.

22 *Committee Hansard*, 3 December 2012, p. 10. See also comments by Ms Browning who said the fund was 'one of the best ways we can provide effective assistance in a fragile and conflict affected state'. *Committee Hansard*, 3 December 2012, p. 10.

as a forum for engagement on serious issues of economic policy and government reform'.²³

Ownership

5.12 AusAID referred to the ARTF as a means whereby Australia, as part of the donor community, is able to engage with the Government of Afghanistan at a senior level on issues of key economic reform priorities for the country. Mr Paul Lehmann, AusAID Minister Counsellor, Australian Embassy, Kabul, explained:

...it is about the conversation that the international community is able to have with the government of Afghanistan in the context of the fund. It is where we can really talk tintacks about what it is that the government wants to do and how it is going to fund it, including funding and assistance provided by the international community, including Australia.²⁴

5.13 Mr Scott Dawson, AusAID, also referred to the high level of community engagement under ARTF programs that encourages local ownership of aid projects:

There has been a lot of work at the individual community level on basic community infrastructure which has been requested by and overseen by the communities themselves. Exercising the community decision-making processes associated with the identification of that community infrastructure and the supervision of its implementation have been very significant developments in terms of civil society engagement with government, which has occurred in Afghanistan since 2001.²⁵

Alignment

5.14 The World Bank, the Government of Afghanistan and donors to the ARTF determine jointly the priorities and governance arrangements for the fund's projects.²⁶ The 2011 *Independent Review of Australia's Aid Effectiveness* explained that, by being a contributor to the ARTF, Australia is not only part of the multi-donor effort to advance development results but importantly 'buys a seat at the table'.²⁷

5.15 AusAID informed the committee that aid channelled through the ARTF is 'delivered in line with the development priorities of the Government of Afghanistan as articulated in the Afghan Compact and the ANDS'.²⁸ The funds are directed to National Priority Programs including the National Solidarity Program, the Education Quality Improvement Program (EQIP), the National Rural Access Program and the

23 Mr Dawson, *Committee Hansard*, 3 December 2012, p. 10 and Mr Lehmann, *Committee Hansard*, 3 December 2012, p. 11.

24 *Committee Hansard*, 3 December 2012, p. 11.

25 *Committee Hansard*, 3 December 2012, p. 11.

26 *Independent Review of Aid Effectiveness*, April 2011, p. 193.

27 *Independent Review of Aid Effectiveness*, April 2011, p. 192.

28 AusAID Afghanistan, <http://www.ausaid.gov.au/countries/southasia/afghanistan/Pages/home.aspx#aid> (accessed 10 September 2012) and *Committee Hansard*, 3 December 2012, p. 10.

Microfinance Investment Support Facility for Afghanistan and the Basic Package of Health Services (BPHS).²⁹

5.16 Ms Michaela Browning, AusAID explained that AusAID participates in helping the Afghan Government design programs and then it endorses the funding for each one of its national priority programs.³⁰

Efficiency

5.17 As noted previously, the ARTF involves many donors combining their funds to support country programs. The *Independent Review of Aid Effectiveness* reported that such trust funds count as earmarked funds and like core funding generally involve low administrative costs for AusAID.³¹ In this regard, Mr Dawson argued that the fund is effective because it reduces transaction costs significantly by linking directly to the government budget of the country concerned.³² In effect, the ARTF reduces the administrative burden on the Afghan Government while building the government's capacity.³³ Mr Dawson explained further that by using the fund it is possible to use the one single structure instead of having 'multiple donors with multiple individual programs and multiple management and monitoring structures.'³⁴ Thus, such an arrangement also addresses the problem of coordinating programs.

Coordination

5.18 The *2011 Independent Review of Australia's Aid Effectiveness* noted that the World Bank exercises an important coordinating role at country level through the trust fund.³⁵ It found that the use of government systems has the advantage of avoiding parallel systems for donor projects that create administrative burdens for governments and donors.³⁶ According to the review, large global trust funds such as ARTF 'generally reduce fragmentation of aid by encouraging donors to work through one mechanism rather than bilaterally.'³⁷

5.19 AusAID also informed the committee that channelling funds through the Afghan system helps to counter the tendency for aid fragmentation and enhances donor coordination.³⁸ According to Ms Browning, Australia is heavily involved in

29 Phil Sparrow, *In it for the long haul? Delivering Australian aid to Afghanistan*, ACFID Research in Development Series Report no. 1, March 2011, p. 18.

30 *Committee Hansard*, 3 December 2012, p. 10.

31 *Independent Review of Aid Effectiveness*, April 2011, p. 192.

32 Mr Scott Dawson, *Committee Hansard*, 3 December 2012, p. 10.

33 *Committee Hansard*, 3 December 2012, p. 10.

34 *Committee Hansard*, 3 December 2012, p. 10.

35 *Independent Review of Aid Effectiveness*, April 2011, p. 198.

36 *Independent Review of Aid Effectiveness*, April 2011, p. 216.

37 *Independent Review of Aid Effectiveness*, April 2011, p. 192.

38 *Committee Hansard*, 3 December 2012, p. 10.

donor coordination and overseeing the management and implementation of the fund—in how Australian money is delivered and to what it contributes.

5.20 Professor Howes and Mr Pryke also observed that the World Bank management provided 'useful coordination and oversight'.³⁹ Dr Bizhan noted that the on-budget mechanisms foster institution-building and can ease monitoring and coordination of international development.⁴⁰

Managing for results

5.21 Aid effectiveness depends on reaching those in most need; matching their needs; and supporting projects that will be sustainable. In Afghanistan, a weak central government severely constrained by a lack of capacity to deliver front-line services and with poor links beyond urban areas means that managing aid for results is difficult. The National Solidarity Program (NSP), a centrepiece activity of the ARTF, exemplifies the positive results achieved from this community-centred outreach approach. It is discussed separately later in this chapter.

5.22 Corruption is a major factor in diverting aid from the intended beneficiaries. Evidence suggests that in Afghanistan aid operating outside government systems is more susceptible to corruption than development assistance channelled through the ARTF.⁴¹ According to AusAID, while corruption remains a serious problem in the public sector, the ARTF helps to counter unethical and dishonest practices in its program by promoting transparency and accountability.⁴²

5.23 The 2011 *Independent Review of Australia's Aid Effectiveness* noted that budget support was provided 'with very rigorous monitoring through a multi-donor trust fund managed by the World Bank'.⁴³ In this regard, the World Bank employs a number of review mechanisms. For example, World Bank technical experts conduct comprehensive fiduciary risk assessments and reviews of ARTF programs before the programs receive approval for funding.⁴⁴ According to AusAID, the World Bank also commissions independent evaluators every three years to review the financial, policy and implementation progress of programs funded through the ARTF.⁴⁵ It explained further that:

39 *Submission 14*, p. 12.

40 *Submission 13*, p. 6.

41 *Submission 14*, p. 12.

42 Mr Dawson and Ms Browning, *Committee Hansard*, 3 December 2012, p. 10.

43 *Independent Review of Aid Effectiveness*, April 2011, p. 65.

44 AusAID, *Australia's strategic approach to aid in Afghanistan 2010–2012*, December 2010, p. 17.

45 AusAID, *Australia's strategic approach to aid in Afghanistan 2010–2012*, December 2010, p. 17.

An independent monitoring agent (PriceWaterhouseCoopers) conducts regular site visits to check funds and ensure that expenditures comply with fiduciary standards.⁴⁶

5.24 Professor Howes and Mr Pryke noted that while the Afghanistan Government is tainted, corruption does not seem to feature through the largely recurrent and service delivery areas which the ARTF funds.⁴⁷ They argued that the ARTF has some notable advantages, including transparency and accountability, that allows it to avoid corruption and patronage seen in other parts of government and in other parts of the aid program which bypass government. They noted the following measures taken by the ARTF to aid greater transparency in, and accountability for, its funding and implementation of projects:

- strict World Bank oversight, which includes periodic external reviews, strict reporting requirements of funds entering and leaving the fund, external auditing, etc;
- the nature of disbursements, whereby most spending from the ARTF occurs in the form of pensions, salaries and other recurrent costs—these forms of spending are much more accountable (there is an established feedback mechanism when staff are not paid) than large pools of cash that are made available for infrastructural development and other types of investment; and
- a high degree of independent, third party monitoring, including the AusAID sponsored external review of the ARTF in 2012.⁴⁸

5.25 Despite these measures, Professor Howes and Mr Pryke go on to say that on-budget aid may still be wasted and ask:

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.⁴⁹

5.26 Even so, according to Professor Howes, while Afghanistan suffers considerably from corruption, it would be wrong to conclude that the Afghanistan government should be avoided altogether.⁵⁰

46 AusAID, *Australia's strategic approach to aid in Afghanistan 2010–2012*, December 2010, p. 17.

47 *Submission 14*, p. 12. See also, *Committee Hansard*, 4 December 2012, p. 15.

48 *Committee Hansard*, 4 December 2012, p. 15. Professor Howes and Mr Pryke noted further: 'Large pools of money (where disbursements and contracts can reach millions of dollars) have more limited feedback mechanisms and accountability and are more susceptible to patronage and corruption'. Professor Howes noted that 'because of the World Bank involvement and the way it has been organised, there is pretty good monitoring. You cannot guarantee that the teacher turns up to school, but at least you can guarantee that they have a salary'. Professor Howe and Mr Pryke, answer to written question on notice no. 5.

49 *Submission 14*, p. 12.

50 *Committee Hansard*, 4 December 2012, p. 15.

5.27 Other witnesses supported the view that the ARTF was less susceptible to corruption. Dr Bizhan also referred to corruption and lack of capacity in the Afghan Government to spend the assistance effectively as a major concern. Nonetheless, in his view once the level of assistance is increased through on-budget funding, the capacity of the Afghan Government should grow, which should put more pressure on the government to tackle corruption.⁵¹

The National Solidarity Program

5.28 The operation of the ARTF is consistent with the fundamental principles of aid effectiveness with one particular program a notable success so far—the National Solidarity Program (NSP), a community-driven reconstruction and rural infrastructure development program. This program is specifically designed to improve service delivery by strengthening linkages between national and provincial efforts. The program provides support for local communities and is intended to promote the development of rural villages and to empower communities to construct their own projects.⁵² According to the World Bank, the NSP has made significant achievements in empowering communities, improving community relations, and increasing public faith in the system of government.⁵³

5.29 The NSP also makes up for the shortfall in government capacity at both national and provincial level by drawing on civil society including major NGOs to help deliver basic services. Moreover, the program fosters strong community ownership and alignment of aid projects with the needs and priorities of communities.

5.30 To date, the project has disbursed over US\$1 billion of which US\$700 million has gone directly to community bank accounts.⁵⁴ AusAID explained the projects under this program are small scale, such as a bridge, some road refurbishment or construction. Importantly, there is also:

- the Education Quality Improvement Program (EQIP), which provides teachers and school facilities and supports communities to better manage their teaching activities;
- the National Rural Access Program, which connects villages to basic rural infrastructure and services such as markets, health care and schools and generates employment opportunities for rural communities; and

51 *Submission 13*, p. 7.

52 Professor Howes, *Committee Hansard*, 4 December 2012, p. 17.

53 The World Bank, 'National Solidarity Project: Promoting Community-Based Development in Afghanistan', <http://www.worldbank.org.af/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/AFGHANISTANEXTN/0,,contentMDK:22888068~menuPK:50003484~pagePK:2865066~piPK:2865079~theSitePK:305985,00.html> (accessed 10 September 2012).

54 The World Bank, 'National Solidarity Program III', <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/0,,contentMDK:22984153~pagePK:146736~piPK:146830~theSitePK:223547,00.html> (accessed 1 March 2013).

- the Basic Package of Health Services (BPHS), which is linked to the Afghan Ministry of Public Health's plans for Afghanistan with the money channelled through the World Bank.⁵⁵

5.31 In addition, the program provides some microfinance investment support.⁵⁶

5.32 According to the World Bank, the NSP is an ambitious move by the government to reach rural communities across Afghanistan and to address their needs using participatory approaches:

Implemented by the Ministry of Rural Rehabilitation and Development, through an extensive network of Facilitating Partner organizations (mostly NGOs), the NSP...has grown into the government's flagship rural development program.

Elected village-level Community Development Councils (CDCs), in which women play a key role, reach consensus on development priorities, develop investment proposals, and use grants and local labour to meet local needs.⁵⁷

5.33 Recognised as the World Bank's showcase program in rural areas, the NSP has reached all 34 provinces and succeeded in establishing 27,360 CDCs, which have undertaken at least 59,629 locally identified subprojects.⁵⁸

5.34 A World Bank study, which analysed the NSP, looked at the program's contribution to economic welfare, attitudes to government, and security. The results indicated that the program had 'a significant positive effect on economic well-being and attitudes toward all levels of government, NGOs, and possibly also to foreign forces'.⁵⁹ An Afghan Ministry of Finance evaluation also noted that although the role of the civil society was much more limited:

55 Senate Foreign Affairs, Defence and Trade Legislation Committee, *Committee Hansard*, Estimates, 2 June 2009, p. 110.

56 Senate Foreign Affairs, Defence and Trade Legislation Committee, *Committee Hansard*, Estimates, 2 June 2009, p. 110.

57 The World Bank, 'Promoting Community-Based Development', <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:21296643~menuPK:3266877~pagePK:51236175~piPK:437394~theSitePK:73154,00.html> (accessed 1 March 2013).

58 *Afghanistan Country Program Evaluation 2002–2011*, Independent Evaluation Group, The World Bank Group, 2013, p. 60. Previous statistics showed the NSP has established 26,395 CDCs in 34 provinces of Afghanistan, covering a rural population of about 22 million. So far, approximately 24,862 communities received financing to implement their priority subprojects. The World Bank, 'National Solidarity Project: Promoting Community-Based Development in Afghanistan', <http://www.worldbank.org.af/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/AFGHANISTANEXTN/0,,contentMDK:22888068~menuPK:50003484~pagePK:2865066~piPK:2865079~theSitePK:305985,00.html> (accessed 10 September 2012).

59 Andrew Beath, Fotini Christia and Ruben Enikolopov, *Winning Hearts and Minds through Development?*, Evidence from a Field Experiment in Afghanistan, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/07/12/000158349_20120712093251/Rendered/PDF/WPS6129.pdf (accessed 10 September 2012).

...some Afghan government designed programs, namely the National Solidarity Program (NSP), promote a citizen inclusive development process at the grass roots level.⁶⁰

5.35 As mentioned previously, a number of witnesses noted the centralised state of public administration in Afghanistan and the weak connections between the national government and local communities which create problems for the effective delivery of aid. Some cited the NSP as a solution. Mr Krishnan referred to the NSP as 'one of the most successful programs in Afghanistan' while Professor Howes stated that national programs such as the NSP were effective at getting funds out to the provinces.⁶¹ Professor Maley argued that rather than implementing a proposed agenda of development that may not match what communities need, the program reflects 'the sense of needs that *actually exist in real communities*'. In his view, this alignment with people's needs was the program's strength.⁶²

5.36 Although, according to Professor Maley, there had been some sustainability issues with the program, the arrangement whereby small amounts of money were provided through local councils had 'worked quite well'.⁶³ He also noted that even though some NSP projects may have gone wrong, the one-off grant arrangement meant that the amount of money lost in the process had not been all that large because funds were released in relatively small tranches:

If, say, \$60,000 is not effectively used at a particular level the council administering it knows in advance that the prospect of getting another piece of funding from the process will be relatively limited.⁶⁴

5.37 Professor Maley suggested that the NSP was a prime example of the 'bottom-up' approach, which had 'allowed grants to be made to community development councils to spend in ways which for them appeared to have the greatest local priority'. He noted, however, that the program had been confined to rural areas, and elsewhere, the 'top-down' model had received more support.⁶⁵

5.38 The NSP has been particularly successful at delivering essential services in the fields of education and health, two areas of particular relevance to Australia's aid program in Afghanistan. Indeed, currently the large proportion of AusAID's expenditure that goes through the World Bank Trust Fund program support basic services delivered by the Afghan Government including health and education services.

60 Ministry of Finance, Islamic Republic of Afghanistan, *Joint Evaluation of the Paris Declaration Phase 2: Islamic Republic of Afghanistan, 2010*, p. 8.

61 *Committee Hansard*, 4 December 2012, p. 58 and *Committee Hansard*, 4 December 2012, p. 17.

62 Answer to written question on notice no. 5 (emphasis in original).

63 *Committee Hansard*, 4 December 2012, p. 6.

64 *Committee Hansard*, 4 December 2012, p. 11.

65 Attachment to *Submission 4*, William Maley, 'Reconstruction: A Critical Assessment' in Amin Saikal (ed.), *The Afghanistan Conflict and Australia's Role*, Melbourne University Press, 2011, p. 83.

Education

5.39 Afghanistan's Target for Millennium Development Goal (MDG) 3—universal primary education—is to ensure that, by 2020, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.⁶⁶

5.40 Education is a focus of Australia's aid program in Afghanistan and one of the strategic visions identified in Afghanistan ANDS. Through the ARTF, Australia funds national programs including the Education Equality Implementation Program, EQUIP. This program is intended to increase access to basic education; improve skills of teachers and principals; as well as the ministry of education's management, monitoring and evaluation of its programs.⁶⁷ It has constructed over 1,500 schools; graduated over 67,000 teachers from teacher training college; trained over 150,000 teachers; provided school management training to over 11,000 principals and school managers; and provided 5,000 scholarships for women to study at teacher training colleges.⁶⁸

5.41 Mr Poulter, CARE Australia, noted the successes of this community based education program run by village education committees that oversee the schools. He stated that there have been 'quite a lot of incremental gains':

...it is the process of communities coming together and looking at their situation collectively and deciding what they can do to change it with support from the national government. For me, that is a big positive of the last 15 years.⁶⁹

5.42 Recently, the program has reached over 100,000 people. Mr Poulter informed the committee that over the past two years, the program had not only included grades 1 to 6, but moved to grades 7 to 9 and early secondary, and experimented with community based early secondary schools.⁷⁰

5.43 According to AusAID, there is also a strengthening higher education program designed to restore basic operational performance at a group of core universities in Afghanistan. An Afghanistan's skills development program is also in operation to improve access to high-quality vocational education, and to train management in administration, information, and communications technologies.⁷¹

5.44 It should be noted that in April 2011, as part of its regular oversight of EQUIP, a World Bank review mission found that school construction was 'below the expected standard, and that some schools were unsafe'. The review made several

66 UNDP Afghanistan website, http://www.undp.org.af/demo/index.php?option=com_content&view=article&id=62&Itemid=68 (accessed 4 February 2013).

67 *Committee Hansard*, 3 December 2012, p. 14.

68 Ms Michaela Browning, AusAID, *Committee Hansard*, 3 December 2012, p. 14.

69 *Committee Hansard*, 4 December 2012, p. 38.

70 *Committee Hansard*, 4 December 2012, pp. 39–40.

71 *Committee Hansard*, 3 December 2012, p. 14.

recommendations to ensure that schools were repaired and management systems improved. Both the World Bank and the Ministry of Education have put in place measures to rectify the deficiencies.⁷²

Health

5.45 Afghanistan's targets for MDG 4 and 5 (reduce child mortality and improve maternal health) are to:

- reduce by 50 per cent, between 2003 and 2015, the under-five mortality rate, and further reduce it to one third of the 2003 level by 2020; and
- reduce the maternal mortality rate by 50 per cent between 2002 and 2015, and further reduce it to 25 per cent of the 2002 level by 2020.⁷³

5.46 The past decade has seen impressive progress toward achieving these goals. The *Afghanistan Mortality Survey 2010* shows that the number of children dying before the age of five has fallen from one in four to one in 14; the maternal mortality rate has fallen from one death in 62 live births to less than one in 300; and for women, the lifetime risk of dying from pregnancy-related complications has fallen from one in 11 to one in 50. The percentage of the population with access to primary healthcare has increased from 9 per cent to 60 per cent, and the proportion of children vaccinated against diphtheria, tetanus and whooping cough has jumped from 31 to 82 per cent.⁷⁴

5.47 According to Save the Children, Oxfam and World Vision Australia, these significant achievements were due in large part to the Basic Package of Health Services (BPHS) and the Essential Package of Health Services.⁷⁵

5.48 The community based approach is at the core of the BPHS' effectiveness. Some 15,000 community health committees have been formed with more than 23,000 voluntary community-based health workers recruited and trained. According to the three NGOs, approximately 50 per cent of these health workers were women, making health services more accessible for women and girls. BPHS' success can also be attributed to the fact that the services are free at the point of delivery and implemented in districts where 85 per cent of the population live. In particular, the BPHS' focus on mothers and children has contributed to ante-natal care more than tripling between 2003 and 2010, and the number of births being assisted by a skilled birth attendant more than doubling in the same period.⁷⁶

5.49 The three NGOs cited the Ministry of Public Health's Strategic Plan, which reported that contracting with NGOs had worked well and had shown to be a way for the Afghan Government to regain and maintain policy leadership rapidly. The

72 AusAID, answer to written question on notice no. 17.

73 *Submission 6*, p. 31.

74 *Submission 6*, p. 31.

75 *Submission 6*, p. 31.

76 *Submission 6*, p. 31.

strategic plan also noted that contracting had proven 'enormously successful in expanding service coverage and improving on quality of care.'⁷⁷

5.50 The bulk of Australia's support to healthcare in Afghanistan has been delivered to the BPHS, via the ARTF.⁷⁸

Overall effectiveness

5.51 The Australian Council for International Development (ACFID) informed the committee that the implementation models adopted by the NSP and the BPHS were generally regarded as having been effective in bringing about significant advances in service delivery, and the model adopted by the EQUIP was also beginning to produce results. Save the Children, Oxfam and World Vision Australia identified the following positive aspects of these models:

- the majority of funding is on-budget and managed by the concerned ministries, thus ensuring that programs fit with government priorities, policies and strategies—implementation, monitoring and evaluation are standardised and regulated by the ministry;
- ministries contract out program implementation to NGOs, who are able to draw upon their expertise in the communities in which they work, thus enhancing the quality of program design;
- programs delivered by NGOs are often in areas that are out of reach of the government line ministries, and yet the programs are recognised by communities as government programs, thus enhancing government legitimacy;
- donors, government and implementing NGOs work in partnership, leading to mutual learning and capacity building, support and supervision;
- substantial measures are taken to include women in the programs, such as the NSP's minimum quota of two women in each community development council executive; and
- significant involvement of the community in program design, implementation and monitoring, resulting in ownership and sustainability.⁷⁹

5.52 Save the Children, Oxfam and World Vision Australia saw potential to improve the programs further. In their view, if such programs were expanded and replicated, backed by long-term, sustainable funding, and the lessons from past evaluations addressed, the impact of a reduction in international development assistance could be substantially mitigated.⁸⁰

77 *Submission 6*, p. 14.

78 *Submission 6*, p. 31.

79 *Submission 6*, p. 14.

80 *Submission 6*, pp. 14–15.

Assessment of funding through government systems

5.53 A 2010 ACFID study reported that independent evaluations assessed the ARTF as 'performing highly' and well regarded.⁸¹ The 2011 *Independent Review of Australia's Aid Effectiveness* found that on the whole, distributing funding through partner government systems had 'been a positive experience'. Indeed, it recommended that Australia expand its share of aid being disbursed through government systems. The review noted that the use of government systems has two advantages:

- it avoids parallel systems for donor projects that create administrative burdens for governments and donors; and
- can help donors influence and improve policy and program settings of entire government systems rather than being confined to individual aid activities.⁸²

5.54 The core funding, however, goes toward general operations and therefore cannot be traced to particular activities. Even so, the review argued that donors, including Australia, can legitimately claim their core funding has contributed to the overall results achieved by multilateral organisations.⁸³ The recent review of the ARTF found that the overall structure and functioning of the fund was deemed to be 'very good'. It reported:

The ARTF remains the mechanism of choice for on-budget funding, with low overhead/transaction costs, excellent transparency and high accountability. It provides a well-functioning arena for policy debate and consensus creation. The close links with the IDA [International Development Association (World Bank)] provide economies of scale and free access to high-quality relevant knowledge products but raises questions about ARTF funding decisions being too much driven by IDA choices.⁸⁴

5.55 Many witnesses agreed with the general assessment about the effectiveness of the ARTF. According to Mr Dawson, the headline changes in Afghanistan's development circumstances since 2001 had been due to funding provided through the ARTF. He cited the very significant increase in school enrolments—from about a million in 2001 to almost eight million today, of which 2.7 million were girls who were not in school before. He stated further that international community pooled funding through the ARTF had produced a very significant increase in access to basic

81 ACFID, *In it for the long haul? Delivering Australian aid to Afghanistan*, ACFID Research in Development Series Report no. 1, March 2011, p. 1. See also an earlier Oxfam study which found that internationally-administered Trust Funds offer an effective means of minimising waste, Matt Waldman, *Falling short, Aid Effectiveness in Afghanistan*, ACBAR Advocacy Series, March 2008, p. 21.

82 *Independent Review of Aid Effectiveness*, April 2011, p. 216.

83 *Independent Review of Aid Effectiveness*, April 2011, p. 192.

84 Scanteam, Analysts and Advisors, *ARTF at a Cross Roads: History and the Future*, Final Report, Oslo, September 2012, p. 1.

health care services as well as the rehabilitation of more than 10,000 kilometres of rural roads, providing thousands of jobs.⁸⁵

5.56 Professor Howes identified the budget support through ARTF as a success story.⁸⁶ He and his colleague, Mr Pryke, reported that by all accounts, the ARTF worked well and seemed to be 'an effective aid delivery mechanism'.⁸⁷ They noted that 'compared to other donors, Australia appears to have a relatively high proportion of its aid directed to national programs', which they suggested was a strength.⁸⁸ Mr Leahy, CARE Australia, informed the committee that budget support was 'a very valid way of promoting development effectiveness objectives'.⁸⁹

5.57 Dr Bizhan, who has been working in Afghanistan as head of the joint coordination and monitoring board secretariat, recognised the value in using jointly managed trust funds such as the ARTF and the government budget.⁹⁰ He noted that while Australia was largely using the Afghan country systems, there was scope for improvement. He suggested that the total on-budget assistance of Australia should increase to 50 per cent from 46 per cent of its total annual assistance.

2012 independent review of the ARTF

5.58 Although the independent review of the ARTF described the fund as 'an effective mechanism which remains fit for purpose', it found scope for improved performance.⁹¹ In its view, a structured approach to defining medium-term objectives in relevant projects and ARTF as a program was missing. Also, the review would like to see 'more reporting, analysis and knowledge generation on geographic/sectoral results, differences and opportunities for progress'. According to the review:

Given likely (regional) challenges to gains already produced over the coming period, more intensive and detailed reporting becomes particularly important.⁹²

5.59 The review also found that while performance tracking had improved, considerable work was required to get 'a consistent, comprehensive and critical tracking and reporting system in place for ARTF as a program'.⁹³ In addition, it

85 *Committee Hansard*, 3 December 2012, p. 11.

86 *Committee Hansard*, 4 December 2012, p. 14.

87 *Submission 14*, p. 13.

88 *Submission 14*, pp. 8 and 12.

89 *Committee Hansard*, 4 December 2012, p. 35.

90 *Committee Hansard*, 4 December 2012, p. 21.

91 *Committee Hansard*, 3 December 2012, p. 11 and *Submission 22*, p. 2. See also *Submission 14*, p. 12.

92 Scanteam, Analysts and Advisors, *ARTF at a Cross Roads: History and the Future*, Final Report, Oslo, September 2012, p. 2.

93 Scanteam, Analysts and Advisors, *ARTF at a Cross Roads: History and the Future*, Final Report, Oslo, September 2012, p. 2.

referred to managing natural resource rent and the resource curse and the importance of defending gains made to date during the transition and transformation period. Both matters are considered later in the report.

5.60 Mr Lehmann, AusAID, agreed with the finding that the ARTF could do better. He mentioned improvements 'around aligning the funding that comes through the fund with the Government of Afghanistan's priority programs', suggesting that 'a little bit more work' could be done in this area. Also, according to Mr Lehmann, donors need to work with the World Bank to ensure that their results and reporting capacity are 'up to scratch'. He noted that Australia had been on the front foot in this regard and was working quite closely with the bank to ensure that, post 2012, the ARTF would have 'an even more robust results framework'.⁹⁴

Conclusion

5.61 Overall, evidence from numerous reports and from witnesses appearing before the committee support AusAID's view that funds directed through the Afghan Government systems are more successful in promoting government ownership and aligning projects with government priorities. This arrangement also helps to prevent wastage of funds, encourages better coordination between projects (less duplication and better targeted) and is better suited to counter corruption.

5.62 The committee recognises the positive results gained through the ARTF, especially the NSP. The committee supports the Australian Government's commitment to channelling 50 per cent of its ODA to Afghanistan through the World Bank supervised fund. The committee notes observations about the potential to improve the operation of the ARTF such as defining mid-term objectives; ensuring that 'a consistent, comprehensive and critical tracking and reporting system' is in place for ARTF as a program; and improved accountability by setting down measurable conditions for allocating funds. These recommendations for improving the performance of the program certainly contain lessons for all donor countries, including Australia, and are discussed in the final chapter.

94 *Committee Hansard*, 3 December 2012, p. 11.

