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Unit H.4 - Pakistan, Afghanistan, Bangladesh, Sri Lanka, Maldives

**NATIONAL INDICATIVE PROGRAMME
OF EUROPEAN COMMUNITY SUPPORT 2005-2006**

AFGHANISTAN

NATIONAL INDICATIVE PROGRAMME

TABLE OF CONTENTS

1.	INTRODUCTION.....	4
1.1	Priorities set by the 2003-06 Country Strategy Paper.....	4
1.2	Mid-Term Review - Key political and economic developments in 2003 and early 2004, including the Berlin Conference.	6
1.1.1.	Box: The EU contribution to the fight against illegal drugs.....	9
1.3	Mid –Term review - New EU/EC Commitments and policy objectives.	10
1.4	Mid-Term Review - Results and lessons learnt in 2002 and 2003.	10
1.5	Mid-Term Review - Building on the lessons learnt: how the programme is being improved.	13
1.6	Mid-Term Review – Consultation with Member States and Conclusion.	14
1.7	Consultation with other donors.....	14
2.	SUMMARY OF THE 2005-2006 NATIONAL INDICATIVE PROGRAMME.....	15
3.	AREAS OF CONCENTRATION - THE COMMISSION’S FOCAL SECTORS.....	15
3.1	Commission focal sector: Health.....	17
3.2	Commission activity: Promoting Human Rights.....	21
3.3	Commission focal sector: Rural Livelihoods and Food Security.....	23
3.4	Commission focal sector: economic infrastructure.....	27
3.5	Commission focal sector: Public Administration and security sector reform.....	30
3.6	Commission activity: De-mining.....	33
4.	LINKING HUMANITARIAN AND RECONSTRUCTION SUPPORT TO REFUGEES.....	34
5.	REGIONAL CO-OPERATION.....	37
6.	IMPLEMENTATION AND MONITORING.....	38

Key terms and abbreviations

Afghanistan Reconstruction Steering Group – ARSG

Afghanistan Reconstruction Trust Fund – ARTF

Asian Development Bank – ADB

Basic Package of Health Services - BPHS

Constitutional Loya Jirga - CLJ

Disarmament, Demobilisation and Reintegration - DDR

European Commission Humanitarian Office – ECHO

General Affairs and External Relations Council - GAERC

Internally Displaced Persons – IDPs

International Monetary Fund – IMF

Islamic Development Bank – IsDB

International Security Assistance Force – ISAF

Law and Order Trust Fund - LOTFA

Mine and Unexploded Ordnance – UXO

Ministry of Agriculture and Animal Husbandry - MAAH

Ministry of Irrigation, Water Resources and Environment – MIWRE

Ministry of Rural Rehabilitation and Development - MRRD

National Development Budget – NDB

National Development Framework – NDF

National drugs Control Strategy - NDCS

United Nations Assistance Mission to Afghanistan - UNAMA

United Nations Children’s Fund - UNICEF

United Nations Development Programme - UNDP

United Nations High Commissioner for Refugees – UNHCR

United Nations Mine Action Strategy – UNMAS.

United Nations Office for Drugs and Crime - UNODC

World Bank – WB

1. INTRODUCTION.

The 2003-2006 Country Strategy Paper for Afghanistan was formally adopted by the Commission in February 2003, and remains a comprehensive statement of the Commission's strategy for Afghanistan. The key priorities remain unchanged, and the major risks to success – poor security, burgeoning opium poppy cultivation and the risk of political fragmentation – are as relevant as ever. In keeping with the March 2003 GAERC conclusions, this paper briefly summarises the priorities set out in the Country Strategy Paper (CSP), and then runs through developments over the last twelve months in four areas:

- Key political and economic developments;
- New EC/EU policy objectives and commitments;
- Results and lessons learnt in 2003;
- Building on the lessons learnt: how the programme is being improved.

1.1 Priorities set by the 2003-06 Country Strategy Paper.

The 2003-06 CSP states that the overall objective of EC support is to promote stability and reduce poverty in Afghanistan. More specifically as part of the process of discussing and agreeing the CSP, the Afghanistan Transitional Authority and the European Commission set the following overall goals for continued EC cooperation:

- To promote the Bonn Agreement and its implementation by all groups.
- To promote democracy and the protection of Human Rights.
- To establish an effective macro-economic and monetary framework
- To reinforce the fight against illegal drugs and terrorism.
- To promote cooperation with neighbouring countries.
- To enhance the role of women.
- To provide support for civil, social and military structures and services and aid for all those in need, especially refugees and displaced persons.

These reflect GAERC conclusions from April, July and December 2002. The 2003-2004 National Indicative Programme set an indicative development envelope of about € 400 million – in keeping with the Tokyo Pledge to provide approximately € 1 billion over five years (i.e. an annual average of about € 200 million)¹. In November

¹ These indicative multi-year contributions are subject to yearly approval of funds by the budgetary authority.

2003, the ALA Committee agreed to re-allocate to Afghanistan the € 50 million under-commitment on the Asia budget chapter. This brought total development assistance for 2003 to € 246 million. Humanitarian Assistance in 2003 amounted to a further € 55 million, bringing total EC support to Afghanistan to € 301 million. This summarised in the table below.

2002-2004: Total support to Afghanistan by budget line

Budget	2002	2003	2004
Aid to uprooted people 19 10 03 (B7-302)	24		
ALA - First reconstruction Grant 19 10 01 (B7-300)	57,5		
ALA - Second Reconstruction Grant 19 10 01 (B7-300)	70		
ALA - Afghanistan line budget 2003 19 10 06 (B7 305)		124	183
<i>+Budget transfer within Asia Chapter</i>		85	
Food Security 21 02 (B7-20)	46,6	30	20
Rapid Reaction Mechanism 19 02 05 (B7-671) (**)	6,9		
Asylum/Migration 19 02 03 and 19 04 (B7-667 + B7-7)	3,4	7	
Total Development Assistance	208,4	246	203
Humanitarian support (ECHO)	72.5	55	35
Total Assistance to Afghanistan	281	301	238

The key sectors for the 2003-04 NIP are:

- Public sector reform, including capacity building within key Government institutions, and continued financial support for the recurrent budget deficit (over € 95 million);
- Rural development and food security (over € 100 million);
- Rebuilding infrastructure – in particular the Kabul-Jalalabad-Torkham road (€ 90 million);
- Contributing to the provision of basic healthcare (€ 25 million);

In addition, the Commission undertook to play an active role on key cross-cutting issues such as environment preservation, tackling opium poppy production, and promoting Human Rights, including the role of women. To support the two latter goals, 2003 saw two supplementary initiatives:

- Supporting the Afghan Government's anti-narcotics strategy and easing the integration of refugees (€ 20 million);
- Promoting security and helping to tackle drugs by supporting police salaries and training through the Law and Order Trust Fund (€ 50 million – funded by the re-allocation of under-committed ALA funds to Afghanistan);

A summary of the 2003-06 CSP and 2002-2004 NIP is attached at Annex 1.

1.2 Mid-Term Review - Key political and economic developments in 2003 and early 2004, including the Berlin Conference.

The Bonn process has continued in 2003 and the first part of 2004. A new constitution - which recognises women as equal to men - was agreed by the Constitutional Loya Jirga in December 2003. Presidential and Parliamentary elections have been split, with Presidential voting scheduled for 9 October and Parliamentary elections for the spring. Voter registration exceeded expectations with over 10.5 million people registered (of which more than 41% women).

On the economic front, GDP growth raced ahead at 30 percent in 2002/03 and 16 percent in 2003/04², the new currency introduced in late 2002 has remained stable, and the Afghan Government's efforts to increase the flow of tax revenues to the centre has borne fruit – US \$ 200 million is expected to flow to Kabul in 2003/04 compared with only US \$ 132 million last year³.

At the March 31 – April 1 2004 Berlin Conference, the international community pledged a total of US \$ 8.3 billion over the next three years⁴. This is a major success measured against the 2002 Tokyo Conference where US \$ 4.5 billion was pledged over five years, and represents almost 70 percent of the ambitious three year funding target of US \$12 billion contained in the 2004 needs assessment – Securing Afghanistan's Future. The Commission promised about € 200 million per year for 2005-2006. In practical terms, these substantial new pledges mean that the annual level of financial support flowing to Afghanistan will increase significantly – for the current financial year it will more than double to US \$ 4.5 billion.

However, simply focusing on these headline developments paints far too rosy a picture. As stressed at Berlin, real progress towards creating a democratic, stable and prosperous Afghanistan is seriously threatened by the significant deterioration in security, and by the exponential growth in opium poppy production. In their March 2004 policy brief, the international NGO CARE notes that:

“attacks on aid workers increased dramatically in 2003, peaking at 28, or nearly one per day, in September. Such attacks show no signs of abating in 2004, averaging 16 per month in the normally quiet months of January – February, versus just 6 in the same months of 2003.”

The escalating violence has claimed the lives Afghans, international aid workers, and ISAF soldiers in Kabul. Most of the South and South East is now considered off-limits for all international staff and poses an increasing risk for local NGOs and their employees. By mid-2004, about € 13 million of the Commission's projects in high

² Source: IMF

³ Again, these figures relate to the Afghan budget year that runs from March to April.

⁴ 2004 – 2006. Broadly corresponds to Afghan fiscal years 1383 – 1385 (April 2004 – March 2007)

risk areas were temporarily suspended, and at the end of 2003 the UNHCR had closed its offices in Kandahar, Ghazni and Lashkaragh, and temporarily suspended all returns from Pakistan (though activities to support returns from Pakistan were resumed at the end of February 2004).

A particular concern is the spread in violence to areas outside the traditional Taliban heartland. In February 2004, five Afghan aid workers were killed in Kabul province, and in April the Taliban distributed leaflets in Logar province just 70 kilometres southeast of Kabul that threatened to kill anyone participating in the elections. June saw the killing of 5 MSF workers in Badghis province (leading to the organisation's withdrawal after 24 years' unbroken presence in the country) and the killing of 11 Chinese construction workers in Kunduz province. Recent developments in Herat also underline the risk of instability in areas that were previously considered reasonably secure. It seems likely that the Kabul based Government will continue to struggle to enforce law and order across Afghanistan.

The rapid increase in opium poppy cultivation further complicates the situation by providing a lucrative source of income for the Taliban and local warlords/ power brokers alike. There have been some encouraging developments in the fight against narcotics – for example, the early success of the new counter-narcotics police in intercepting large quantities of heroin in Badakshan and Lagham in early 2004, as well as the strong anti-drug statements by the Afghan Government at both the 9 February Kabul Drugs Conference and the Berlin meeting.

Nonetheless, the February 2004 UNODC Farmers Intention survey indicates that despite the drop in opium prices in 2003, farmers intend to significantly increase the area under cultivation in 2004. This raises the spectre of yet another bumper crop – possibly as high as (or even higher than) the all time record of 4,600 tonnes registered in 1999. The Berlin Declaration underlined the urgent need to tackle this noting:

“opium poppy cultivation, drug production and trafficking pose a serious threat to the rule of law and development in Afghanistan as well as to international security, and therefore that Afghanistan and the international community shall do everything – including the development of economic alternatives - to reduce and eventually eliminate this threat.”

The Commission, alongside other donors, strongly supports the Afghan National Drug Control Strategy (NDCS) adopted in May 2003, and its emphasis on a broad based approach that embraces alternative livelihoods, institution building, demand reduction and law enforcement. The box below sets out how the Commission is already promoting the different aspects of the NDCS. In the short term, however, the Commission believes that stronger law enforcement – especially interdiction – is critical in the fight against drugs. Though good progress is being made in building a national army and police force, it will take time for these to reach their full strength and, in the interim, the Commission strongly believes that Coalition and NATO troops should engage more actively in counter narcotic activities.

In summary, security, linked to increased opium poppy cultivation, is now the critical issue in Afghanistan – unchecked, the current situation will undermine future progress by feeding:

- The creation of a two-tier state with reconstruction taking off in the relatively stable Centre and North while the South and the South East are increasingly left behind;
- Linked to this, increasing fragmentation as the Kabul based Government continues to find it difficult to exert its authority in the provinces;
- Widespread disenchantment with both the election registration process, and the elections themselves if security concerns severely curtail participation and undermine the credibility of the outcome;
- The continued rapid spread of opium poppy production which will fuel insecurity by providing a revenue base for anti-Government factions.

In recognition of these risks, the Berlin Declaration places enhanced security at the top of the agenda. The process of Disarmament, Demobilisation and Reintegration (DDR) has proceeded rather slower than anticipated in Berlin, with around 13,000 militia demobilised by late August 2004. Equally, in recognition of the time that it will take to build a fully fledged Afghan National Army and Police Force, the Berlin Declaration pledges an additional 5 Provincial Reconstruction Teams by summer 2004, and the readiness of ISAF and coalition troops to assist in providing security for the elections (the full text of the Berlin Declaration, as well as individual donor pledges is attached at Annex 2).

1.1.1. Box: The EU contribution to the fight against illegal drugs.

Afghanistan is once again the largest producer of opium poppy in the world following bumper crops in both 2002 and 2003. The value of the opium economy is put at about US \$ 2.5 billion – equivalent to about 50 percent of Afghanistan's legal GDP. The forward-looking UNODC survey of farmers' intentions suggests that cultivation will again rise in 2004.

In May 2003, the Afghan Government adopted a National Drugs Control Strategy that embraces the promotion of alternative livelihoods; institution building; effective law enforcement; demand reduction, and judicial reform. Evidence from elsewhere (Thailand and Pakistan) suggests that this broad based, long term approach is essential to provide a sustainable solution. A strong anti Drug Law was adopted in autumn 2003. At the February 2004 Anti-Narcotics Conference in Kabul, President Karzai publicly stressed the Government's determination to stamp out opium poppy production.

The UK is the lead donor on drug control and has earmarked US \$ 114 million over three years to build Afghan anti-narcotic capacity – including police and border control training – and to promote sustainable, alternative livelihoods. The UK has helped the Afghan Government to set up a National Counter Narcotics Police as well as a mobile detection unit in Kabul. These efforts to improve interdiction have had some early successes with big hauls in the North. What is clear is that without better law enforcement – especially interdiction – Afghanistan will get nowhere on drug control in the short term.

The Commission worked closely with the UK and the UNODC in supporting the development of the Afghan Government's Drug Control Strategy and three areas of Commission activity in 2003 – 2004 are already making an important contribution to drug control:

- Promoting effective law enforcement - € 68.5 million, including € 65.5 million to support the police in delivering effective law enforcement across Afghanistan and € 3 million to reinforce border control along the Afghan/ Iran border;
- Promoting sustainable alternative livelihoods - € 9 million in eastern provinces;
- Promoting rural development - € 100 million to promote rapid growth and provide legitimate employment for the rural population.

The Commission will continue this three pronged approach in the future.

1.3 Mid –Term review - New EU/EC Commitments and policy objectives.

As already noted, the 2003-2006 Country Strategy Paper was formally adopted about one year ago, and it remains a valid policy statement as regards the future strategy for Afghanistan. The March 2003 GAERC placed particular emphasis on EU initiatives in the areas of trade related technical assistance, migration, countering terrorism and protecting the environment. All are clearly relevant for Afghanistan, as highlighted in the CSP. Trade related technical assistance is being provided as part of the Commission's programme for Public Administration Reform, and the environment and migration are identified as important cross-cutting issues.

The key migration challenge facing Afghanistan is how to absorb the large number of returning refugees from Pakistan and Iran. In 2003, the Commission targeted a special € 10 million initiative on this to complement the significant funds already being spent by ECHO. In the medium term, of course, the key issue is to ensure that all development assistance takes adequate account of returnees and that the potentially beneficial aspects of economic migration (remittances) are recognised. The approach being adopted by the Commission is described in more detail below (sections 3 and 4).

Mainstreaming is the best way to ensure that the environment is protected properly. The environmental impact of all the Commission's programmes and projects is carefully assessed. In addition, in 2003, funding was allocated to build capacity within the Afghan administration and to help them develop an effective legal framework to protect the environment. Key elements of the Commission's programme will help to safeguard the environment, including refurbishing sustainable irrigation systems, and ensuring the environment is properly protected will be a key aspect of capacity building within the relevant Afghan Government departments dealing with rural recovery and agriculture.

Counter terrorism is not explicitly mentioned in the CSP. However, the urgent need to promote security, and tackle opium poppy production is clearly identified as a major challenge. As UN Secretary General Kofi Annan has repeatedly stressed, without better security in Afghanistan there can be no peace dividend, and reconstruction will continue to stall across large tracts of the country – especially the South and South East. The Commission and all donors operating in Afghanistan are acutely aware of this, and significant funds are being channelled towards the fight against drugs and reinforcing the security situation.

1.4 Mid-Term Review - Results and lessons learnt in 2002 and 2003.

Much has been achieved in the last two years, and the rate of both contracting and disbursement has been impressive by international standards. Key points worth flagging include:

- The Commission has over-achieved against our Tokyo pledge in both 2002 and 2003. At Tokyo, the Commission pledged € 1 bn over five years, implying an average annual commitment of € 200 mn. The Commission has delivered more than this in both 2002 and 2003 (see table 1 above);

- In 2003, the Commission increased the total funding to Afghanistan by € 50 million to help reinforce the security situation, and brought forward € 10 million originally planned for 2004 to support the Afghanistan Reconstruction Trust Fund;
- The rapid pace of delivery – especially given the difficult operating environment in Afghanistan. By March 2003, 90 percent of the funds committed in 2002 had been contracted;
- By end December 2003, 65 percent of the 2003 commitment had been contracted.

This rapid financial response has helped to:

- Support the return to work of 220,000 public sector workers, including doctors and nurses, and 60,000 police officers;
- Promote rural livelihoods through the creation of 1.4 million days of employment;
- Reinvigorate the rural economy by refurbishing 633 irrigation structures, over 16,000 metres of boundary walls and vaccinating over 740,000 animals;
- Provide health services to 4 million people, including in remote parts of Afghanistan;
- Rehabilitate the women's park and 30 hammans in Kabul;
- Clear 11.2 million square metres of area contaminated by mines or unexploded ordnance.

The Commission has also developed first-hand experience of the tough operating environment in Afghanistan. Key challenges include:

- Limited capacity within the Afghan administration – although this has improved in some Ministries, others remain weak and much needs to be done at the provincial and local level. Measures to build capacity are therefore critical for the sustainability of development in Afghanistan;
- This limited capacity has meant that the Commission has so far channelled significant funds both directly to NGOs (although always within the framework of the National Development Budget), and through the multilateral trust funds established to support the Afghan Government, and increasingly the various National Programmes (such as the National Emergency Employment Programme, the National Solidarity programme). Both mechanisms have proved effective in enabling the Commission to deliver funding relatively quickly, and the trust funds have also played an important role in helping to leverage public administration reform. Looking to the future, the Commission expects to continue channelling substantial support through the multilateral trust funds and National Programmes. More generally, the

private sector should make an increasingly important role in helping to realise the productive potential of key sectors.

- The security situation, including opium poppy production. This is affecting all donors, and poses a real threat to NGOs – even those that are well established - in certain parts of the country. The Commission has limited control over this. However, the Commission can contribute to improving the security situation by ensuring the police are well trained, properly paid and able to enforce anti-drug laws. Equally, the Commission can ensure its wider rural development programme takes full account of its impact on opium poppy production and contributes to reducing poverty and providing sustainable and legitimate incomes for the rural population⁵.
- Locking in the early improvements in budget and economic stability. In particular, working with the Afghan Government to realise the revenue targets set in Securing Afghanistan's future, ensuring the commitment to no Central Bank financing of the public sector deficit is maintained. The April 2004 IMF staff monitored programme sets out the key fiscal and macro-financial goals;
- Maximising the impact and sustainability of the Commission's programme by:
 - i. focusing on the four key sectors identified in the 2003-2006 CSP;
 - ii. ensuring we build capacity in these key sectors;
 - iii. moving from short term "quick impact" projects aimed at improving food security to longer term projects aimed at building Afghanistan's productive capacity and providing basic social services – notably in healthcare.
 - iv. increasing the geographic focus;
 - v. continuing to co-operate closely with ECHO. For 2005-06, ECHO expects to continue phasing out Humanitarian support as the situation stabilises and reconstruction and recovery continue to gather speed. For LRRD to be effective, the donor community – and the Commission in particular - will need to ensure this doesn't leave gaps in the provision of basic services.

Finally, it is worth reiterating that the security situation is a particular risk to the Commission's projects under implementation in the South and South East – the areas of greatest security risk. One option would be to shift towards more stable areas in the Centre and North where the Commission is already involved. However, the Commission's judgement is that it should continue to plan to engage in the South and South East. The preliminary results from the 2003 National Risk and Vulnerability

⁵ The Aga Khan Foundation is currently piloting different approaches to rural development in Badakshan. The Commission has recently contracted GTZ to undertake similar work in the Eastern provinces and specifically to promote alternative livelihoods..

Assessment (NRVA) indicate that the highest proportion of Afghans unable to meet 80 percent of their minimum daily food requirements are in the South and South-East of the country. It is also worth noting that if all development funds flow to the relatively stable parts of Afghanistan, then the potential for North / South fragmentation may increase. The Commission will continue to try to limit the risk of being forced to suspend activities in high risk areas by working with organisations whose long operating experience in these areas, and strong support from local communities, leaves them less vulnerable to attack⁶.

1.5 Mid-Term Review - Building on the lessons learnt: how the programme is being improved.

In light of the challenges outlined in the previous section, the Commission will concentrate its future activities in four key sectors – health, rural recovery, infrastructure and public administration reform. Cross-cutting issues will predominantly be taken forward through effective mainstreaming. Where there is perceived to be strong continued need to raise awareness and understanding of cross-cutting issues – for example on Human Rights, gender and the environment – or the issue potentially restricts progress on development – for example, lack of de-mining, then the Commission proposes to allocate small amounts of future funding to these areas.

Support for public administration reform will have two goals. First, to enable the ATA to move towards a self-financing recurrent budget in the medium term and, linked to this to “free up” development funds to invest in the productive potential of the economy. Second, to boost capacity across the administration to ensure it is increasingly able to implement the policy agenda and to establish an effective framework for service delivery (through the private sector, NGOs or, in limited cases, the public sector itself). In particular, the Commission will contribute to building capacity within the Afghan Government in all of the key sectors – this is essential to underpin sustainability. The ultimate aim should be coherent sector wide approaches, though achieving this will take time.

Subject to the security situation, geographic focus will be achieved by concentrating on the South, South East and North. But it should be flagged that any further deterioration in the security situation may force the Commission to increasingly focus/ expand its activities in the North where it will be actively engaged in the rural sector. Geographic focus will be important to enable the Kabul Delegation to actively engage in programme monitoring.

The Kabul Delegation is currently in the process of recruiting additional experts and local staff to boost technical expertise in economics, rural livelihoods and infrastructure, as well as monitoring capabilities.

⁶ However, it is worth flagging that even Afghan NGOs with strong operating experience in the South have experienced difficulties in some areas in recent months.

1.6 Mid-Term Review – Consultation with Member States and Conclusion.

The strategy set out in the 2003-2006 Country Strategy Paper remains valid, and the key challenge for the 2005-2006 NIP is to build on the interventions begun in the context of the existing NIP adopted by the Commission in February 2003.

This approach has been discussed and endorsed by Member States in Kabul. They agree that the CSP remains a valid summary of the Commission's strategic goals as well as the key risks to success – namely poor security and growing opium poppy production in Afghanistan.

The interventions proposed as part of the 2005-2006 NIP have also been discussed with Member States in Kabul, and they support the Commission's approach.

1.7 Consultation with other donors.

The Afghan National Development Framework and the Development Budget help to set clear Government priorities for recovery in Afghanistan. Coordination with other donors is particularly important in Afghanistan, given the large number of players involved.

Overall co-ordination is managed by the Afghan Government through a Consultative Group structure introduced in March 2003. This is backed by 16 Local Consultation groups for each of the major sectors identified in the National Development Budget. Gender is mainstreamed through a Gender Advisory group. The Commission is heavily involved in the Consultative Group process and pleased to co-chair the groups focusing on health, rural livelihoods & social protection, and public administration reform.

The Commission delegation also participates in regular in-country meetings with Member states and other involved organisations (such as International Financial Institutions) to ensure monitoring and coordination on an on-going basis. Specifically, Heads of EU Missions meet once per week and assistance coordination meetings are held with all member states once per month.

Clearly humanitarian aid cannot be programmed well in advance, nonetheless effective linking between of EC humanitarian and reconstruction support is crucial in ensuring a comprehensive EC's response to Afghanistan's needs. Most important is the interface on refugee return, on health, on de-mining and on general vulnerability. This coordination is undertaken through programming jointly and weekly co-ordination meetings in the field.

In 2004 the Afghan Government expressed interest in developing a Poverty Reduction Strategy. Given the complexity of the process, it has been suggested that Afghanistan follows a two-stage approach beginning with an Interim Poverty Reduction Strategy Paper. The Commission is fully supportive of this approach and will closely support the process.

2. SUMMARY OF THE 2005-2006 NATIONAL INDICATIVE PROGRAMME.

The remaining sections of this paper set out the priorities for 2005-2006 National Indicative Programme. As already outlined, these have been discussed with Member States in Afghanistan as well as other key donors.

The European Commission anticipates that a total of almost € 660 million will be allocated to Afghanistan for development over the 2002-2004 period. Humanitarian assistance over the same timeframe is expected to reach € 170 million. This will bring the EC's total commitment to Afghanistan for 2002-2004 to almost € 840 million – a very substantial sum. For 2005-2006, the Commission expects the total development envelope to be in line with the pledge made at Tokyo to provide about € 200 million in 2005 and 2006. This is, of course, an indicative contribution and is subject to yearly approval of funds by the budgetary authority. This NIP does not programme humanitarian support from the EC's Humanitarian Office. Nonetheless, ECHO currently expect to provide some humanitarian support in 2005. Looking ahead, it is clearly important to take all sources of funding into account to ensure they are well co-ordinated.

3. AREAS OF CONCENTRATION - THE COMMISSION'S FOCAL SECTORS

The overall objective of EC support is to promote stability and reduce poverty in Afghanistan. This will be achieved through channelling support to four major areas of concentration: (a) support for the health sector (b) rural development and food security (c) economic infrastructure and (d) public administration reform linked to support for the recurrent budget (including the police). Specific objectives for each are to:

- To contribute to a reduction in the under 5 and maternal mortality rate, as well as reducing discriminatory practices against women in healthcare, by supporting the provision of a basic health care package.
- To contribute to a reduction in the level of rural poverty and help to provide alternative sources of income for those currently engaged in opium poppy production.
- To promote sustainable and environmentally sensitive development of productive economic assets;
- To help establish an efficient and effective public administration at central, provincial and district levels able to manage the delivery of essential public services, and able to stabilise the budgetary position of the Government.
- To help enable the Afghan Government to provide security and rule of law throughout the country through effective and transparent law enforcement.

The Commission will also continue to finance small projects to promote human rights and civil society, and to support de-mining through the UNMAS trust fund.

Key cross-cutting themes that will be built into each programme area will be (a) gender equality (b) tackling poppy reduction through alternative livelihoods, better

law enforcement and, possibly, demand reduction (c) promoting the sustainable return of refugees (d) conflict prevention including the demobilisation of ex-combatants and (e) environmental sustainability. Particular attention will be given to ensuring an effective linkage between the programmes implemented, especially in health and rural development, and the existing Humanitarian intervention of ECHO.

The Community will also seek to promote regional co-operation on trans-boundary issues such as refugees and drug control so as to enhance the effectiveness of the Afghan Government's development strategy. For refugees and internally displaced people (IDPs) continued close collaboration with ECHO will be essential to achieve a smooth transition from emergency to long term development support.

All projects will work towards achieving the goals set out on the National Development Framework and Budget and will be co-ordinated through the Afghan Government led consultative group process. For each key sector, more specific performance indicators will be developed as financing proposals are brought forward.

The following sections summarise Commission activities in **all** areas. Thus in addition to setting out the Commission objectives for each of the four major areas of concentration discussed above (the focal sectors), the paper also highlights how the Commission will contribute to tackling issues such as refugee return and de-mining, as well as promoting Human Rights and democracy. The structure is based on the Afghan Government's National Development Framework which includes three major pillars:

- i. Pillar 1: Human capital and social development;
- ii. Pillar 2: Physical reconstruction and natural resources;
- iii. Pillar 3: Public Administration, trade and investment and rule of law.

The table below summarises how the Commission's focal sectors fit into this National Development Framework ie. under which National Development Pillar the Commission's key sectors are located. The table also includes an indicative budget allocation for each area of activity (see Annex 3 for a more detail).

The National Development Framework and the Commission's focal sectors.

National Development Framework Pillar	Commission Focal Sector	Indicative Budget allocation 2005-2006 (€ mn)
Pillar 1: Human capital and social protection	i. Health	49 - 58
Pillar 2: Physical reconstruction and natural resources	ii. Rural Development	88 - 98
	iii. Infrastructure	30
Pillar 3: Public administration, security and trade and investment	iv. Public administration reform	144 - 147
	Other Commission activities	
Pillar 1: Human capital and social protection	Promoting Human Rights, including the rights of women	16
Pillar 3: Public administration, security and trade and investment	De-mining	26
Regional co-operation and margin		23 - 25
Total		376 - 400

Note: The Tokyo pledge was for "approximately €1 billion" over 2002-2006. The NIP implies total expenditure over this period of €1033-1057m. It is understood that this NIP seeks over-programming, as there is a risk that parts of the planned actions will not materialise. Should circumstances require a more substantial aid than the pledge, the budget authority will be informed in a transparent way.

Pillar 1: Human Capital and Social Protection

3.1 Commission focal sector: Health (€ 49 - 58 million)

Strategic Context: Afghanistan continues to have some of the worst health indicators and mortality rates in the world, especially for women and children⁷. The health services inherited by the Afghan Government at the end of 2001 were limited in scope and geographical coverage. The Ministry of Public Health (MoPH) has shown strong

⁷ The two most quoted figures are the maternal mortality rate of 1,600/100,000 live births, and the infant mortality rate of 165/1000 live births (World Bank May 2003). Over 25 percent of children do not reach the age of five.

leadership in developing a health strategy that focuses on delivering a Basic Package of Health Services (BPHS) throughout Afghanistan. This encompasses (i) Maternal and Newborn Health; (ii) Child Health and Immunisation; (iii) Communicable diseases (especially TB and malaria); (iv) Public Nutrition; (v) Supply of Essential Drugs; (vi) Mental Health and (vii) Disability. Budgetary constraints, and continued reliance on external donor finance, underline the need to focus even within the BPHS on the interventions with the highest impact. The MoPH has prioritised (i) – (v) to reduce maternal and infant mortality⁸.

Following formal agreement of the Basic Package of Health Services (BPHS) in 2003, service provision has increased – there are now over 900 clinics and about 40 percent of the population is now covered. There has also been impressive progress in eradicating polio (only 7 known cases in 2003), and in immunising 90 percent of children against measles. Nonetheless, much remains to be done and further effort is needed to ensure there are adequate, accessible facilities for women, although this has also begun to improve.⁹

The EC has been a major donor in the health sector since 1994. By 2002, it was supporting almost 240 rural clinics (roughly one third of the total) and three provincial hospitals. In 2002, the EC co-funded a nation-wide survey on existing health facilities and, from 2003, provided technical support to help build capacity within the Ministry of Public Health and at the provincial level. For 2003-04, the Commission has allocated a total of € 30 million for the Health and Nutrition Sector, including support for:

- BPHS services in 9 provinces – Zabul, Uruzgan, Kunduz, Logar, Kunar, Laghman, Nangahar, Nuristan and Ghor.
- Malaria and Leishmaniasis control. It is expected that by the end of 2006 both will be fully managed by the Ministry of Public Health within the context of the BPHS;

By the end of 2003, Commission funded services were being delivered in six provinces, covering 20 percent of the population. The Commission will build on this support in the future, paying particular attention to women’s access.

Objective: The Afghan Government’s overall objective is to reduce the high levels of mortality and morbidity, especially among women and children by ensuring broad access to the Basic Package of Health Services (BPHS). Specifically, by 2015 they aim to reduce by 2/3 the under-5 mortality rate, and to reduce by 3/4 the maternal mortality rate. The Afghan Government expect it will take at least three years (to early 2007) to ensure nationwide delivery of the BPHS.

⁸ See AREU report on “The Public Health System in Afghanistan” 2002; World Bank “Health Sector Emergency Reconstruction and Development Project – technical annex” May 2003, and the 2004 needs assessment “Securing Afghanistan’s Future”.

⁹ A UNICEF press note on progress (November 2003) reported that by the end of 2003, 28 provinces would have functional emergency obstetric care centres.

Specific objectives for the Commission.

- To contribute to the targeted reduction in child and maternal mortality, notably in those provinces where the Commission is active;
- To contribute to the delivery of the Basic Package of Health Services throughout Afghanistan.

Expected results from EC intervention:

- Improved child and maternal health through the delivery of the Basic Package of Health Services in selected provinces covering at least 4 million people;
- Enhanced access to health services by women;
- Enhanced institutional capacity – at both the national and provincial level – to oversee the effective delivery and monitoring of health services.
- Stronger working relations between Government and the NGO sector, including a clear policy framework for health provision by NGOs.

Future EC activities:

In 2005-06, the Commission will:

- Continue to support the provision of the BPHS in the provinces where the Commission is already active and potentially expand services in the underserved provinces such as Ghor and Nuristan. The ultimate goal is for the BPHS to include mental health and disability services¹⁰. Nonetheless, the pace of expansion will need to take account of both the capacity of health providers to deliver a wide range of services, and funding constraints which place a premium on targeting excess preventable mortality. Activities to promote drug demand reduction may also be considered – where the Commission is already helping to deliver the BPHS, and where addiction is a substantial problem. Implementation is likely to continue to be largely NGOs.

¹⁰ Here is it worth noting that AREU concluded in its 2002 report : “The Basic Health Services Package, as it is currently composed (ie.including all five sectors), cannot be implemented, at least not all at once. There must be a schedule for phasing in the components of the package and a review of priorities, particularly mental health and disability services taking into account the financial, technical and operational realities of the current situation. This approach is endorsed in the 2004 “Securing Afghanistan’s Future” paper which notes “The latter two priorities – mental health and disability – were subsequently dropped as priorities and put into a second tier category.”

- Continue to work with other donors and the MoPH to build capacity at both the national and local level. This will include continuing to (a) strengthen health information systems; (b) promote a sustainable health policy – in particular how best to finance health care to ensure services are sustainable (c) improve health sector management at central and provincial levels with the ultimate aim of empowering the MoPH to contract and monitor the implementation of health services.

Emergency health support from ECHO will cease in 2005, and the Commission's annual commitment in this sector is therefore being increased to ensure a smooth transition.

Implementation

At present 80 percent of health services are delivered by NGOs, and they are likely to remain the dominant player in healthcare provision over the next few years. At present the Commission contracts NGOs to deliver the BPHS within the context of the Afghan Government's health strategy. As institutional capacity strengthens the Commission will consider whether it will be able – alongside other donors – to channel resources through the Government.

Indicative timeframe

Contracts will be signed in 2005 and 2006 and will be for a two year period.

Co-ordination.

As in other sectors this will be through the Afghan led Consultative Group Structure, and EC support will be delivered in line with Government policy as set out in the National Development Budget. Sector specific co-ordination is through the Health and Nutrition Group where the EC is co-lead donor alongside the United States. Other key donors include the World Bank, WHO, EU Member States and Japan.

Risks and conditions for success

As in the rural sector, security will be a major implementation risk in certain provinces.

Though capacity in the MoPH has increased dramatically since 2002, developing a sustainable health system also requires capacity at the local level. Equally, effective monitoring of the NGOs contracted to deliver the BPHS will be critical to ensure basic standards across Afghanistan, and to identify potential weaknesses where technical support may be needed to expand the skill base of the contractor. For example, ensuring there are sufficient female healthcare workers¹¹.

¹¹ Securing Afghanistan's Future notes that about 40 percent of health facilities currently have no female staff.

Over the longer term it will be essential that the Afghan Government's overall strategy maintains an appropriate balance between primary, secondary and tertiary care (ie. hospital services), and continues to recognise the need for strong primary interventions to raise health outcomes across Afghanistan. Of equal importance will be developing a sector strategy that tackles long term funding – in particular reducing reliance on external financial support - and is therefore financially sustainable¹².

Indicators:

Programme specific indicators will be presented with detailed Financing proposals. Overall indicators for the health sector include – increased access to the BPHS; percentage of population served; overall reduction in maternal and infant mortality rates; reduction in incidence of malaria; immunisation rates. For EC specific interventions, indicators include population served; the percentage of female patients; the number of maternal deaths averted and the number of infant and under-5 deaths averted.

Cross cutting issues: A key cross cutting theme addressed through health is gender and protection of vulnerable groups ie.ensuring fair and equal access to health care for females, children and vulnerable groups.

3.2 Commission activity: Promoting Human Rights (€ 16 million)

Strategic Context: In 2002, following thirty years of conflict, Afghanistan had limited civil society, no independent media and there were widespread reports of Human Rights abuses. The new 2004 constitution explicitly states Afghanistan's commitment to the Universal declaration of Human Rights, including for minority groups, women and children. It also explicitly recognises women as equal to men, and endorses the principle of freedom of speech. The Afghanistan Independent Human Rights Commission was established in 2002 and is currently remitted to promote human rights education, women's rights, children's rights and transitional justice as well as monitoring and evaluating human rights abuses (which continue to be reported extensively). In April 2003, the Ministry of Interior set up an independent Human Rights Unit to investigate alleged Human Rights abuses by law enforcement officials.

For media and civil society European Commission support in 2002-03 totalled €5.5 million focusing on: (a) promoting independent radio (Good Morning Afghanistan), newspapers and a media training centre in Kabul (AINA- which also trains women journalists); and (b) promoting civil society through the establishment of the Civil Society Foundation which opened in mid 2003 and gives grants to registered social organisations to promote civil society. In addition, € 2.8 million has been used to finance women's projects including public baths for women in Kabul and five regional centres as well as the refurbishment of a women's park in Kabul.

Objective: The Afghan Government's overall objective is to fully protect Human Rights in keeping with the new constitution through the introduction and enforcement

¹² The World Bank, as part of their support for the BPHS, will pilot three approaches – user charges; community health contributions and a “base case”.

of new laws and independent institutions, and to support a vibrant civil society and media that is free from interference by the state.

Specific objectives for the Commission.

- To promote the role of women and to work to ensure their rights are fully respected;
- To promote freedom of speech;
- To promote the rights of vulnerable and minority groups, and to ensure their needs are integrated into mainstream policy areas – especially as regards social protection and health.

Expected results from the EC intervention:

- Better awareness of the needs of - and protection for - vulnerable groups including women, the disabled and street children.
- Stronger and financially viable independent media and civil society groups able to raise awareness on Human Rights issues, and to contribute to raising respect for the rights of women and vulnerable groups;
- Better advocacy for vulnerable groups, to ensure their specific needs are increasingly integrated into mainstream policy.

Future EC activities:

All future projects will contribute to the promotion of and respect for Human Rights. This will include projects aimed at:

- promoting the rights and role of women, including by helping to tackle some of the issues that currently impact negatively on this – for example domestic violence.
- raising awareness on human rights and basic freedoms.

To promote freedom of speech and Human Rights for all groups, the Commission will continue to work through the media sector, civil society and community based groups. To ensure awareness and respect for vulnerable groups across Afghanistan, groups operating at a community level outside Kabul (as well as within) will be supported.

In addition, the Commission will consider how best to ensure the most vulnerable are protected – for example homeless children and the disabled – including by promoting an approach to mainstream policies that takes explicit account of their needs.

Implementation.

This will be implemented through calls for proposals which will potentially involve a range of groups from civil society, NGOs and specialised institutions (for example, the UN or research organisations). Due to their nature, most of these activities will be implemented outside any financing agreement with the Afghan Government.

Indicative timeframe

Initial contracts will be signed in 2005 and are expected to be of a two year duration.

Co-ordination

As in other sectors, this will be through the Afghan led Consultative Group structure. A cross-cutting group meets on a regular basis to ensure Human Rights issues are mainstreamed across all areas of activity. In addition, there is vertical group co-chaired by UNESCO that focuses on promoting media and culture.

Risks and Conditions for success

Despite the achievements in 2002-03, Human Rights abuses continue to be reported across Afghanistan, and have been documented in reports by both Amnesty International and Human Rights Watch. In addition, in the run up to the CLJ and throughout the election registration process there have been complaints from media and civil society groups about restrictions on their freedom of expression. Ensuring Human Rights are respected and creating a free and open working environment for civil society and media will continue to be major challenge in Afghanistan.

Indicators

EC support is conditional on government compliance with: (a) respecting media freedoms and, (b) number of reports of restrictions on media and civil society groups (c) the development of an inclusive approach by the Afghan authorities vis-a-vis vulnerable groups (street children and those with disability) (d) increasing awareness within Afghan institutions and the wider public of domestic violence issues. Actual indicators include the number of civil society groups supported; the number of women benefiting from gender projects; the number of reports of Human Rights abuses;

Cross cutting issues: Key cross cutting themes are respect for human rights, including the role of women and minority groups.

Pillar 2: Physical Infrastructure

3.3 Commission focal sector: Rural Livelihoods and Food Security (€ 88-98 million)

Strategic Context: About 80 percent of Afghanistan's population live in a rural setting, and more than half cannot afford a food consumption level of 2,100 calories

per day (which defines the poverty level)¹³. Rural poverty is a multi-dimensional problem that includes low incomes, limited access to land, poor access to health and education, poor nutritional status, natural resource degradation, poor rural infrastructure, including for irrigation, and weak institutions to drive change. In order to be effective, national strategies for poverty reduction must address all the issues above as well as the problems and risks posed by the increasing cultivation of opium poppy. Mainstreaming of the objectives associated with tackling opium poppy production, the sustainable reintegration of returnees / IDPs, and protecting the environment is essential for the revitalisation of rural communities.

Early support from ECHO and other Community instruments focused on providing basic levels of income and livelihoods to the rural population - especially in drought affected areas - as well as facilitating sustainable returnee integration. In 2002-03, € 103 mn was allocated to rural recovery to provide basic levels of food/income, through labour intensive work schemes (including the National Emergency Employment Programme), support to farm inputs (including livestock) and, from mid 2003 onwards also to irrigation. In 2004, and following the end of the 5 year drought, reconstruction support has increasingly shifted away from short term interventions towards longer term projects aimed at building Afghanistan's productive capacity, promoting strong and accountable community structures and providing sustainable, non-opium based income sources for the rural population.

This support – alongside an end to the drought - has helped to alleviate the impact of initial food shortages on the poorest and to lay the foundations for strong agricultural recovery. Sector growth reached just under 30 percent in 2002-2003, and almost 25 percent in 2003-2004, with particularly strong recovery in cereal production. Nonetheless, much remains to be done to realise the full productive potential of this sector – existing irrigation systems are thought to be operating at only 25 percent efficiency; the livestock sector continues to suffer from poor support services to promote vaccination and limit the spread of disease; and the horticultural sector, which once accounted for 40 percent of Afghanistan's export earnings, has shrunk by about 30 percent in the last 5-6 years¹⁴. The Commission will increasingly focus its efforts on laying the foundations for sustainable recovery, and long-term growth in this sector.

Objective: The Afghan Government's overall objective is to “reduce rural poverty by improving the economic well-being of rural households, and to efficiently contribute to the national economy, through developing and improving the efficiency of sustainable agricultural, water, forestry and rangeland activities based on sound environmental practices¹⁵”. In addition, the 2004 Berlin Conference underlined the need to rapidly tackle opium poppy production – including the development of

¹³ Source: Securing Afghanistan's Future 2004.

¹⁴ Source: Securing Afghanistan's Future 2004 and September 2003 IMF Country Background Paper.

¹⁵ National Development Budget March 2003.

economic alternatives. This – alongside effective law enforcement – is absolutely essential if rural workers and farmers are to shift away from opium poppy cultivation.

Specific objectives for the Commission.

- To contribute to a reduction in the level of rural poverty ie .a reduction in the number of people living below the US \$ 1 dollar a day poverty line;
- To contribute to reduced reliance on opium poppy as an income source;
- To promote an environmentally sustainable approach to better irrigation and to the development of the livestock and horticultural sectors;
- To help strengthen rural communities through their active engagement – including women – in local development;
- To promote enhanced institutional capacity at the national and local level.

Expected results from EC intervention:

- the promotion of agricultural growth – within well focussed geographic areas - through the rehabilitation of irrigation schemes and an integrated approach to the recovery of the livestock and horticultural sectors;
- more sustainable natural resource management through improved water management at national and farm level, reforestation and conservation - in particular in the geographic areas where Commission activities are focussed;
- support to sustainable alternative livelihoods to help facilitate the move away from opium poppy production;
- more equitable access to productive assets, for women in particular, including through community driven development projects;
- enhanced capacity within relevant Government departments - including the Ministry of Agriculture and Animal Husbandry (MAAH), the Ministry of Irrigation, Water Resources and Environment (MIWRE) and the Ministry of Rural Rehabilitation and Development (MRRD) - to develop and oversee the delivery of national policies in these areas, and including protection of the environment.

Future EC activities: For 2005-06, the Commission plans to provide support in three areas – irrigation, horticulture and livestock – and to continue to support National Programmes to strengthen rural communities. We will:

- Support to improving/ developing sustainable irrigation schemes and water management practices in the North and North East. Assessing the environmental impact of projects will continue to be key, as will assessing the impact of irrigation on potential future opium poppy production;
- Support activities aimed at promoting the recovery and growth of the livestock and horticulture sectors as part of integrated package of rural support targeted

on specific geographic locations. In horticulture particular attention will be given to revitalising traditional systems which potentially have an important role to play in effective water management and reversing environmental degradation.

- continue to work with relevant Government departments to develop institutional capacity to implement a sound agricultural policy, including the establishment of a regulatory framework for improved agricultural productivity and forest and rangeland management (for example to underpin animal health, and the horticultural sector);
- Support National Programmes targeted on the poorest and which promote the inclusion of women in local power structures, and the effective participation of women in specific projects (for example, the National Solidarity Programme (NSP));

Implementation

Given the capacity constraints within the national Administration, some activities will be implemented through well identified projects that are consistent with the Government's National Development Framework and Budget. Over time, we would hope to move towards a sector wide approach. Support for the National Programmes will continue to be channelled through the relevant multi-lateral trust fund.

Indicative timeframe

Support for National programmes will be committed on an annual basis. In irrigation, horticulture and livestock we would expect to sign contracts in 2005 and early 2006, and for specific programmes to be of up to four years duration.

Co-ordination

As in other sectors, this will be through the Afghan led Consultative Group structure. The two groups on Livelihoods and Social Protection and Natural Resource Management are especially important for rural recovery. The Commission co-chairs the Livelihoods group alongside the World Bank. The Asian Development Bank co-chairs the Natural Resource Management group. Following the international anti-narcotics conference held in Kabul, there is agreement that a counter narcotics group should meet on a regular basis to ensure drugs are mainstreamed across all areas of activity.

Risks and conditions for success.

Obviously, the biggest risk to success is a continued deterioration in the security situation. As already discussed in section 1.2 above this has already had an impact on Commission projects in the South and South east. Wherever possible the Commission is minimising this risk by working through well established and locally valued Afghan groups, as well as through the National programmes that are led by the Afghan Government.

Three key departments are involved in promoting rural economic growth and development – the Ministry for Rural Rehabilitation and Development (MRRD), the Ministry of Agriculture and Animal Husbandry (MAAH), and the Ministry of Irrigation, Water Resources and Environment (MIWRE). Capacity across the three varies enormously. The Commission will need to work alongside other key donors to ensure there is sufficient long term technical assistance in all three Ministries. Reform of the public administration will also be key to build a professional civil service able to implement Government policies, including at the provincial and regional level.

The Commission also needs to focus its activities on specific geographic locations.

Indicators: Programme specific indicators will be presented with detailed Financing proposals. Overall indicators for rural recovery include level of agricultural production, and rate of growth (both disaggregated by sector); number of NSP projects implemented; volume of traditional irrigation structures rehabilitated; percentage of livestock that are healthy; percentage of rural population below the dollar a day poverty line; the level of food aid / other support required to prevent nutritional suffering.

Cross Cutting Issues: The most pressing cross-cutting issue is tackling opium poppy production as this continues to fuel instability across Afghanistan. National programmes such as the NSP need to consider how they can contribute to reducing poppy production, and the impact of all rural projects – especially irrigation - on poppy production should be fully assessed. There will be continued co-ordination with ECHO to ensure that returned refugees and IDPs are supported under reconstruction to ensure sustainability of their return. Other cross cutting issues - the role of women and the environment - will be mainstreamed in of all the areas discussed above.

3.4 Commission focal sector: economic infrastructure (€ 30 million).

Strategic Context: More than two decades of war have devastated Afghanistan's infrastructure. Problems range from a poor electricity supply and transport system to inadequate water supply and wastewater treatment. The 2004 needs assessment *Securing Afghanistan's Future* underlines the key role of basic infrastructure in supporting economic growth – from providing inputs for agriculture and industry to helping to promote trade and investment.

Until 2002, EC support was restricted to repairing small rural feeder and urban roads generally associated with NGO projects. By the end of 2002-2004, the EC will have provided € 83 million for the reconstruction of the Kabul-Jalalabad-Torkham road¹⁶; € 9 million for the rehabilitation of the Kabul electricity network and € 9 million for urban projects to help clean up Jalalabad, Mazar, Herat, Kandahar, Bamyán, Ghanzni and Kabul. In addition, the Commission has sponsored small-scale CIMIC projects in Kabul to refurbish essential public infrastructure such as schools and fire stations.

¹⁶ This was done in collaboration with Sweden.

There has been significant progress in the road sector. The Kabul-Kandahar road opened towards the end of the 2003, and the Salang tunnel opened at the beginning of 2004. The Commission funded Kabul-Torkham road is expected to be completed at the end of 2005 / early 2006. Travel times along this road were halved in 2003.

Beyond 2005, the key question for the Commission will be how to integrate any future activities in the infrastructure sector with other parts of the programme. Urban water and sanitation has strong links to improving the population's health status – across Afghanistan, only 13 percent of the population has access to safe water and 12 percent to adequate sanitation¹⁷. Kabul poses a particular challenge as its population has swollen dramatically from about 1.7 million in 2000 to almost 3 million in 2003. The World Bank and Germany (through KfW) are currently sponsoring detailed feasibility studies on how to expand water and sanitation in urban centres. These should be completed by end 2005, and will include investment strategies aimed at ensuring about 60 percent of the urban population have access to safe water and benefit from sanitation services. The World Bank and Germany are both putting significant funds into this sector, though additional finance is likely to be required.

Objective: The Afghan Government's overall objective is to develop an efficient and well functioning infrastructure that supports and enhances the economy and contributes to the population's well-being through promoting enhanced security (in the case of roads) and improved health and social indicators. For urban infrastructure, the Afghan Government is committed to achieve by 2015 the Millennium Development Goal to reduce by half the population without access to safe and sustainable water supply and sanitation.

Specific objectives for the Commission.

- To contribute to the reconstruction of the major roads which are critical for transport and trade both within Afghanistan and with neighbouring countries.
- From 2006, to contribute to improving the health status of the urban population through better sanitation and increased access to safe water.
- To contribute to the reintegration of refugees through the provision of basic water and sanitation services.

Expected results from EC intervention:

- To further reduce travel times on the Kabul-Jalalabad-Torkham road by consolidating on-going road reconstruction and reducing congestion in Jalalabad city centre;
- To increase the number of people – including returnees - with access to clean water and adequate sanitation;

¹⁷ Source: Securing Afghanistan's Future, 2004.

- To reduce the environmental degradation caused by poor sanitation and waste treatment.

Future EC activities:

In 2005 and 2006, the EC will complete the reconstruction of the Kabul – Jalalabad road, including the much needed town bypass at Jalalabad. Pending the outcome of the detailed feasibility studies at the end of 2005, the Commission will consider whether to support putting sustainable urban sanitation and water systems in place to help improve the living conditions and health outcomes of the urban population.

Implementation

The Kabul-Torkham road is being reconstructing by private contractors, after competitive international tenders. A similar procedure will be followed for future infrastructure projects.

Indicative timeframe

Any additional work on the Kabul-Torkham road, including the Jalalabad bypass, will be contracted in 2005 and is expected to be completed within two years.

Co-ordination.

This will be through the Afghan led Consultative Group mechanism. The transport sector group is co-chaired by the ADB and Japan. Other key donors include the US, Sweden, Saudi Arabia and India. The Urban management group is co-chaired by UN Habitat. Key donors are the World Bank and Germany. USAID is also considering active engagement in this area.

Risks and Conditions for success:

The many new roads now under completion will need to properly maintained. It is critical that Afghan Government develop their own maintenance capacities. Once the Kabul-Torkham road is completed the Commission will need to make a strategic decision about how best to target future infrastructure support. Key considerations include concentrating on those sub-sectors where the Commission has the expertise to deliver efficiently, and maximising the synergy with other elements of the programme – both geographically and in terms of maximising the impact of the overall programme.

Indicators:

Kilometres of roads resurfaced and concomitant reduction in travel times, number of vehicles using roads; Number of households benefiting from access to water and sanitation – possible link to reduction in diseases stemming from poor sanitation.

Cross Cutting issues: The environmental impact of all infrastructure projects will need to be assessed carefully. A better road network should help to promote security.

Pillar 3: Public Administration, trade and investment and rule of law

3.5 Commission focal sector: Public Administration and security sector reform (€ 144-147 million).

Strategic Context: The public administration inherited at the end of 2001 was weak with a low skill base, poor motivation and a Soviet-style planning structure. In addition, the revenue base was too low to cover salary payments of key public sector workers, including teachers, health workers and the police. Significant progress has been made in the last two years, but it will take many more years to build a strong, professional service able to develop and implement policies effectively. An efficient national police force is a key element in helping to stabilise the country through impartial, gender-sensitive law enforcement, as well helping enforce anti-narcotics laws.

Capacity Building Groups have been created within key Departments, and an Independent Administrative Reform and Civil Service Commission is driving change across the civil service, including by reviewing overall functions and numbers. In 2003, key legislation was passed to enable reform minded Ministries to press ahead¹⁸. Significant steps have also been taken towards establishing a civilian payroll, and a validated national payroll is expected by end 2004. A validated police payroll is also expected by end 2004. Finally, the Ministry of Finance is determined to expand the revenue base – both by modernising custom and tax systems and by ensuring revenues flow to the centre. There has been marked improvement on this front – revenues reached US \$ 132 million in the 2002/03 fiscal year (higher than the initial target of US \$ 80 million), and nearly US \$ 200 million in 2003/04. The newly agreed IMF staff monitoring programme¹⁹, includes a domestic revenue target of US \$ 256 million for 2004/05 - the Afghan Government hopes to realise US \$ 300 million for 2004/05.

Over 2002-2004, a total of € 180 million²⁰ will be put through the Trust Funds to support the civilian public sector and the police. This includes the additional € 50 million allocated to the Law and Order Trust Fund (LOTFA) in late 2003 to ensure timely payment of police salaries, purchase of non-lethal equipment and training. In addition, the Commission has provided a further € 30 million to build capacity, through support to Capacity Building Groups, to the Ministry of Finance to build a modern and efficient customs service and to support civil service reform at the central

¹⁸ The Priority Reform and Restructuring programme came into effect in July 2003. It enables selected ministries – subject to approval by the IARSC – to place specific staff on higher salary levels in return for restructuring.

¹⁹ April 2004.

²⁰ Of this total, € 22.5 mn went to the UNDP start up fund, € 92 mn to the ARTF and € 65.5 mn directly to the LOTFA.

and local level through the Independent Administrative Reform and Civil Service Commission.

Objectives: The Afghan Transitional Administration’s overall objective is to create a modern and efficient government capable of ensuring policy development and implementation, service delivery, law and order and justice. In the longer term, “Securing Afghanistan’s Future” also aims to ensure that 75 percent of the recurrent budget is financed through domestic revenue by 2008²¹.

Specific objectives for the Commission.

- To help build an efficient and effective civil service - in particular, by supporting the ongoing process of civil service reform.
- To help promote effective law enforcement and strengthen the rule of law.
- To ensure that actions in this focal sector help promote the role and rights of women.

Expected results from the EC intervention:

- Enhanced governance and public sector service delivery through establishing an effective civil service system, based on merit, with compensation sufficient to attract and retain qualified employees, and to ensure equality of opportunity for women;
- Improved law enforcement as fully trained police numbers grow and a validated payroll facilitates timely payment;
- To re-create the physical infrastructure needed to function as a government, at both central and provincial levels;
- Increased self-financing of the recurrent budget with diminishing support to help stabilise the budgetary position of the Afghan Government.

Future EC activities: Future EC support will build on the existing two pronged approach by continuing to (a) strengthen the capacity and skills of the public administration in Kabul and provinces; while also, (b) supporting recurrent expenditure while the revenue base is broadened and remittances to central government increase. In particular, the EC will:

- Support the Independent Administrative Reform and Civil Service Commission in raising standards and streamlining the civil service, including through the capacity building groups;
- Support the Law and Order Trust Fund – both as a vehicle to drive change within the police (for example, to push for appropriate ethnic and gender balance), and to

²¹ Though some donors – including the Commission – feel this target should be more ambitious.

reinforce the security situation, including the fight against opium poppy trafficking. To reinforce this, the Commission will also consider supporting National Programmes aimed at promoting security and justice (which is an integral part of wider efforts to promote the rule of law), and technical assistance aimed at creating a modern, effective police force.

- Support the Afghanistan Reconstruction Trust Fund as vehicle to ensure essential public services continue to be delivered. As domestic revenues are projected to increase, so the EC will begin to phase out its support to the recurrent budget and target the National investment programmes;
- Subject to outcome of elections scheduled for October 2004, the Commission will consider whether to provide further assistance to the future election process over the NIP period.

Reform of the civil service will be promoted wherever possible, including through the Consultative Groups.

Implementation

This will as appropriate be through the relevant multilateral trust funds or other implementing partners and by providing technical assistance to the relevant Afghan institutions driving public administration reform.

Indicative timeframe

Contributions to the relevant trust funds, and national programmes will be committed in each year. For support capacity building and reform within the public sector, we would expect to finalise the financing agreement in 2005 and for the programme to have 3 year implementation timeframe.

Co-ordination

As in other sectors, this will be through the Afghan led Consultative Group structure. Alongside the World Bank, the Commission co-chairs the Public Administration and Economic Management Group. Other key donors include EU Member States, Canada, the IMF, the ADB and Norway. In addition, a security sector group focuses on police and judicial reform as well as progress on demobilisation, disarmament, and reintegration.

Indicators:

Overall indicators for the success of PAR include total number of civil servants and police; validated payrolls; transparent salary levels that are sufficient to retain trained staff; Government compliance with IMF recommendations on monetary and fiscal policy; adherence to the provisions of the budget law of 2002: realisation of customs and tax revenue targets and, linked to this, reduced reliance on donor support for the recurrent budget.

Cross cutting issues: Support in this area will be used to promote women's employment in the public sector. It is also critical to create a strong, cohesive state and prevent future conflict.

3.6 Commission activity: De-mining (€ 26 million)

Strategic Context: Afghanistan is one of the most heavily mined countries in the world. A total of almost 740 square kilometres is mined, of which 355 square kilometres affects land that is of critical importance. This limits the return of refugees and displaced persons, and keeps valuable land out of economic use.

In 2002 – 2003, the European Commission provided € 23 million for de-mining. A further € 15 million has been approved for 2004, with a minimum of € 5 million to be linked to disarmament and demobilisation. The Commission has also contributed just over € 2 million for the UNDP Landmine Impact Survey that will map mined areas across Afghanistan and provide a baseline for future de-mining.

In 2002 - 2003, about 800 hectares was cleared, facilitating the sustainable return of about 180,000 refugees to their homes. As the process of Demobilisation, Disarmament and Reintegration (DDR) gets underway, de-mining activities are increasingly being linked to this.

Objective: The government target is to clear mines and UXO from priority areas by the end of 2007. The mine clearance strategy takes into account country's urgent humanitarian and developmental needs, and concludes that a period of five years (2003-2007) is necessary to clear all mine and UXO-contaminated areas that currently have high priority

Specific objectives for the Commission.

- To help promote sustainable refugee and IDP return and to bring valuable economic land back into use.
- To build capacity within the Afghan government to manage the process of de-mining.

Expected results from EC intervention:

- Greater numbers of refugees and internally displaced people are able to return home safely.
- Access to prime land is increased, facilitating reconstruction and recovery in these areas.
- Increased capacity within the Afghan administration to oversee and manage de-mining activities.

Future European Commission activities:

For 2005-2006, the Commission will continue to support mine and UXO clearance. As DDR gathers pace, this support will increasingly be linked to demobilisation through the employment of ex-combatants. The Commission's cross-cutting land mines budget line will be used for stockpile destruction – funding of € 1 - 1.5 million per year is expected.

Implementation

The EC will continue to direct its funds through the UNMAS while this remains the most efficient for payment, monitoring and control of implementing NGOs. Over time, as Government management capacity grows, the Commission will consider directing its support via the relevant Government institution.

Indicative Timeframe

Contributions to the relevant de-mining funds will be committed each year and with a programme duration of one year.

Co-ordination

Demining is undertaken within the framework of the multi-donor Mine Action Programme for Afghanistan. This is coordinated by the UNMAS, implemented by NGOs and increasingly supervised and guided by the government (there is a dedicated unit within the Office for Disaster Preparedness).

Risks and Conditions for success:

De-mining has a potentially important role to play in providing short-term employment for ex-combatants as DDR picks up speed from 2004. As de-mining is planned to continue for the foreseeable future, it will be important to strike a balance between the goal of “mine clearance” and the cost effectiveness of clearing more marginal areas of land.

Indicators:

Number of square metres cleared of mines and UXO; number of reconstruction projects facilitated through clearance; number of safe returns facilitated by de-mining; number of ex-combatants employed.

Cross cutting issues: Mine clearance includes three major cross cutting themes: (a) facilitating refugee return and demobilisation by clearing settlements and agricultural areas; (b) increasing security around the country; and, (c) protecting women and children as they form the majority of victims from mine accidents.

4. LINKING HUMANITARIAN AND RECONSTRUCTION SUPPORT TO REFUGEES

Effective co-ordination and linkage between humanitarian and reconstruction support is of critical importance in Afghanistan, and especially as regards the return and

reintegration of refugees and internally displaced people. This section explains how the European Commission is working to promote sustainable reintegration.

Strategic Context: Between 1979 and the fall of the Taliban in late 2001, as many as 6 million people are thought to have left Afghanistan. Pakistan and Iran were the major destinations, though a significant number fled further afield to Europe and the United States. Since the 2001 Bonn Agreement, more than 2 million Afghans – mostly from Pakistan and Iran - have returned with assistance from the UNHCR. A further 1 million internally displaced people (IDPs) have returned to their place of origin. The return of highly skilled workers, including from Europe and the US, to help drive the process of recovery and reconstruction has been much more limited.

By the end of 2003, about 3 million Afghans were thought to remain abroad within the region – UNHCR expect up to a further 1 million to return in 2004²². The existing Tri-partite Agreements between Afghanistan, the UNHCR and Iran and Pakistan respectively will expire at the end of 2005. The legal frameworks for the presence of Afghans in these two countries will therefore need to be re-visited.

In 2002-2003, ECHO allocated € 127 million in support of refugees, IDPs and other vulnerable groups affected by conflict and drought in Afghanistan, Pakistan and Iran. A further € 42 million is planned in 2004. This humanitarian support focuses on ensuring primary needs are met (for example, livelihood security, water, sanitation, shelter, repatriation, health etc). Support to refugees from the Asia budget has totalled about € 24 million per annum in 2002-03, with a particular effort made to ensure their return is sustainable through the provision of health and urban services as well as access to employment. Over this period, refugees remaining in Iran and Pakistan have also received support.

In addition, in 2002, the budget line for the repatriation of refugees from Europe, allocated € 3.6 mn to support the return of qualified Afghans from the EU to Afghanistan and to support the capacity-building for relevant ministries. In 2003, € 7 million was earmarked to support, amongst others, the return of up to 5,000 Afghan returnees from Europe. This project follows on from the Seville European Council mandate to urgently adopt a repatriation programme that includes “the best possible facilities for early return to Afghanistan”. Within the EU, an “Afghanistan Co-ordination Return Group (ACRG)” meets regularly to discuss the outlook for these returns and to co-ordinate activities across Member States. To date returns have been significantly below the 5,000 projected in early 2003.

As the capacity of the Afghan Government continues to increase, the needs of returnees are becoming more integrated with mainstream policy areas (eg. Health) and, as such, included within the National Development Framework.

Objective: The Afghan Government’s overall objective is to ensure that returns are well planned and sustainable. In addition, the Afghan Government is pursuing an active policy of recruiting skilled Afghans from abroad. This is reflected in

²² Based on initial repatriation figures March/ April 2004.

government structures with the creation of a Minister for Refugees and Returnees, and a Consultative Group dedicated to sustainable returns.

Specific objectives for the Commission.

- To promote the sustainable return and reintegration of refugees and Internally Displaced People.
- To help facilitate finding durable regional solutions for those remaining outside Afghanistan.

Expected results from the EC intervention:

- To ensure the specific needs of returnees are integrated across all Commission programmes – in particular in health and rural development projects in areas of high return;
- To help meet the basic needs of Afghan refugees remaining in Pakistan and Iran (see regional co-operation below).
- Better understanding and regional commitment to find a lasting regional solution for remaining refugees (see regional co-operation below).

Future activities:

For 2005-06, and as already discussed, Commission programmes will continue to focus on health, infrastructure and rural development and to ensure that returnees benefit from these activities – especially in areas of high return. ECHO expects to continue phasing out Humanitarian support as the situation stabilises and reconstruction and recovery continue to gather speed. Continued co-ordination with ECHO will therefore be critical to ensure a smooth transition from emergency to long term development support.

The refugees remaining in Pakistan and Iran will require continued attention and support. For the longer term every effort should be made to find a way forward on the issue of regional migration (see regional co-operation below).

Implementation.

This will be through different partners / routes depending on the sector of support. For those refugees remaining in Iran and Pakistan, NGOs with experience of working in these locations are likely to remain the Commission's key implementing partners.

Co-ordination.

This will be through the Afghan led Consultative Group structure. A dedicated returnee and IDP group is co-chaired by the UNCHR. Key donors include the Commission (through ECHO), Canada, Norway, the US and EU Member States. However, as stressed in the National Development Budget, effective co-ordination between Humanitarian and Development support is critical to ensure the return of refugees is sustainable.

Risks and conditions for success

The major challenge facing Afghanistan is how to ensure returns are sustainable, and how to cope with the fact that many returnees have become “urbanised” and are unlikely to leave Kabul for their true rural place of origin. This will place increasing pressure on urban infrastructure, social systems and also resolving land right issues.

Indicators

The number of returnees to Afghanistan from the region and from Europe; the number of returnees remaining in Afghanistan after 12 and 24 months; the number of Afghan refugees remaining in Iran and Pakistan.

Cross cutting issues: In tackling the sustainability of return key cross-cutting issues will include the promotion of human rights, including the role of women, and conflict resolution. Improved internal security – including de-mining – will also be critical.

5. REGIONAL CO-OPERATION

The problems and challenges facing Afghanistan require both national actions and regional co-operation, especially as regards drug control and refugees.

On drug control, regional cooperation plays a major part in the strategy agreed with the Government with lead support from the UK and the Declaration on Counter-Narcotics signed by all of Afghanistan’s neighbours at the 2004 Berlin Conference is a significant step forward. The EC will support this regional cooperation through promoting links between the various regional governments’ drug enforcement agencies and cooperation with international enforcement bodies. Drug and people trafficking are often linked – the regional approach to drug control should take account of this.

On refugees, regional cooperation is obviously crucial. Many of the 5 million Afghans who have lived in Iran and Pakistan in recent years are now returning. However, many have also put down roots in their host countries and present a particular challenge to the Afghan, Iranian and Pakistan governments. The EC will therefore encourage dialogue between the three countries to agree a sustainable approach to seasonal labour migration. Measures to help tackle some of the challenges posed by the ongoing presence of Afghans in host countries will also be considered. In the meantime, work with refugees in the region will focus on reducing the obstacles for sustainable returns to Afghanistan – for example, skills training.

In addition to these issues, the EC will consider whether to provide further support for promoting wider regional cooperation, including through considering how best to foster regional trade and enabling Afghanistan to maximise its trading opportunities.

6. IMPLEMENTATION AND MONITORING

Implementation Structures and Procedures

The EC will finance the above National Indicative Programme over two years – 2005 and 2006. The indicative € 376 - 400 million budget is subject to the annual approval of funds by the budgetary authority. The provisional allocation of resources for each priority in the NIP in each year is set out in the attached table.

The 2005-2006 NIP will be funded through two major budget lines:

- The new Afghanistan budget line (ABB 19.10.06 "Aid for the rehabilitation and reconstruction of Afghanistan"- traditional nomenclature B7-305).

and

- The Food Security Budget line (ABB article 21.02.01 "Products mobilised under the Food Aid Convention - traditional nomenclature B7-200);

The Afghanistan Budget line was created in 2003 to ensure reconstruction in Afghanistan was properly funded, and was not dependent on accessing funds from a range of horizontal budget lines. In 2004, this has a total appropriation of € 183 million, of which € 24 million has been taken from the budget article "Aid to uprooted people" (ABB 19.10.03), and the remainder from the "Financial and technical co-operation with Asia" (ABB 19.10.01).

Similar levels of appropriation are expected in 2005 and 2006. A further minimum of € 10 million is anticipated from Food Security (ABB 21.02.01) for each year. Additional support is expected from the horizontal de-mining budget line and funds may, additionally, come from other cross-cutting budget lines such as Asylum/Migration. Only expected appropriations from the Food Security Budget line are factored into the attached table.

Each Commission Financing Decision will:

- i. be subject to the procedure set out in the relevant Regulation;
- ii. potentially contain a number of projects;

The medium term goal is to channel EC support via sectoral budget allocations. However this requires more effective management and financial control capacities than currently exists in those target ministries through which EC funds would be channelled, notably the Ministry of Health, the Ministry of Public Works, the Ministry of Rural Rehabilitation and Development, and the Ministry of Agriculture and Animal Husbandry. Line ministries will focus on overall policy rather than direct service delivery.

Until such a time as sectoral support is possible, assistance will be either implemented directly by the Commission or channelled via the Ministry of Finance and implemented by line Ministries using EC procedures. Financing Agreements will be signed for each Commission Decision with the Minister of Finance. On the basis of a

Work Plan, the Ministry of Finance will manage the funds covered by the Financing Agreements including undertaking procurement according to Commission rules and supervision. Funds will be disbursed to an account in the Da Afghanistan Central Bank as required for meeting Work Plan planned commitments and disbursements. Payment on contracts will be made directly from the Da Afghanistan Central Bank under responsibility of the Minister of Finance as signatory of the Financing Agreement until such time as accounts are cleared by the Commission.

Project definition and monitoring will be jointly undertaken by the Commission and the relevant ministry, such as the Ministry of Health, Ministry of Public Works, the Ministry of Rural Rehabilitation and Development or the Ministry of Agriculture and Animal husbandry. Each EC project will be subject to monitoring to assess progress as well as ex post project evaluation through the normal AIDCO system.

All support that is directed to help restart the government recurrent budget shall be directed through the Afghan Reconstruction Trust Fund and Law and Order Trust Fund²³. Agreements for EC support in these areas shall be agreed directly between EC and World Bank and UNDP.

²³ The World Bank are responsible for monitoring the use of these funds, and have appointed an in country team from Price Waterhouse Coopers.

National Indicative Programme (M €) * ²⁴

Pillar 1: Human and Social Capital	2002	2003	2004	2005*	2006*	2005-2006*
Rural development & food security ²⁵	70	43	62	44 - 48	44 - 50	88 - 98
Health	12	10	19.5	25 - 28	24 - 30	49 - 58
Human rights, and civil society	9	3	23	8	8	16
Repatriation of refugees (JAI)	3.6	7 ²⁶				
Enhancing sustainability of all refugee returns		10				
Additional initiative to combat drugs ³¹		10				
Pillar 2: Physical Infrastructure						
Economic Infrastructure	18	38	35	20	10	30
Pillar 3: Public administration and security.						
Public administration - capacity building and reform	16	5	12.7	12	12 - 15	24 - 27
Afghan Reconstruction Trust Fund / Law and Order Trust Fund ²⁷	52,5	42,5+ 50 ²⁸	30	60	60	120
Demining	10,4	10	15	13	13	26
Regional Cooperation	2	7	0	8	8	16
Other – pilots, TA and contingency	13,3	1,5	5.8	3	4 - 6	7 - 9
Total reconstruction and recovery	206.8	187+50	203	193 - 200	183 - 200	376 - 400
<i>Humanitarian</i>	<i>73.6</i>	<i>55</i>	<i>35</i>			
Total humanitarian and reconstruction aid	280.4	242+50	238			

* Figures for 2005-2006 include element of over-programming in line with normal programming guidelines

²⁴ Subject to yearly approval of funds by the budgetary authority.

□ For 2005 and 2006, this includes a minimum contribution of € 10 million from the Food Security Budget article 21 02 (B7-20).

²⁶ Appropriations from the budget article 19 02 03 and 19 04 (B7-667 + B7-7) “Cooperation with third countries on migration”.

²⁷ This includes support to future national programmes aimed at promoting security and justice.

²⁸ In November 2003 - following ALA Committee agreement - the Commission re-allocated to Afghanistan the € 50 million under-commitment on the Asia chapter. This was given to the Law and Order Trust Fund, and total development assistance for 2003 reached € 246 million.