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EXECUTIVE SUMMARY

The European Commission has been present in Afghanistan since the mid 1980s, with an office in Peshawar, in western Pakistan, covering the country. ECHO had programmes in Afghanistan from the early 1990s delivering humanitarian assistance. With the fall of the Taliban, EC engagement in the country increased to make the Commission one of the largest donors in the country.

The EC's first CSP for 2003-6 was focused very much on the initial reconstruction phase, building up infrastructure and establishing new government institutions and public services. This process will continue in the new CSP period but with an increasing emphasis on strengthening the capacity of those Afghan institutions and services so they can become more self-sustaining and viable in the long run.

This new CSP sets out the EC's commitment to Afghanistan until 2013. It has been drafted against a background of an evolving political and economic scene. The *Afghanistan Compact*, launched at the London Conference in January 2006, provides a new political framework for cooperation between Afghanistan and the international community for the next 5 years. Complementing the *Compact*, the interim *Afghanistan National Development Strategy (i-ANDS)* prioritises the development objectives for the country for the next 5 years.

The response strategy proposed in this CSP aims to strike a balance between the continuation of existing, successful programmes and new priorities in response to the changes in the country since the publication of the last CSP. There are three focal sectors: rural development; governance; and health. There are also three non-focal areas: social protection; mine action; and regional co-operation. The activities in the non focal areas directly or indirectly reinforce specific activities being pursued in the priority focal sectors.

The CSP's proposed focal areas are all priority sectors of the *i-ANDS*. The new CSP aims to contribute to addressing the fundamental challenges facing Afghanistan in dealing with the narcotics economy and in establishing a proper functioning rule of law. Although there will be continued support to central ministries and national programmes, there is an increased emphasis in this CSP on strengthening the rule of law and structures of government at the provincial and district level.

This CSP and the accompanying indicative programmes primarily aim to create the conditions for sustainable development and poverty reduction. The immediate pressing priorities are to stabilise the country and deal with the narcotics trade; to ensure government is able to deliver services at all levels; and to establish a functioning rule of law, safeguarding basic human rights. Only from this base will the Government be in a position to address the most basic social and economic needs and pursue the *Millennium Development Goals (MDGs)* in the decade ahead.

In line with this approach, the sectors set out in this CSP are not all explicitly directed at progress towards the *MDGs* but rather prioritise actions that will enable sustainable poverty reduction in the medium to long run. This is the case in the justice and rule of law programmes, for example. That said, actions in other focal sectors such as health are directly working with the Afghan authorities to achieve the *MDGs*. Moreover, many of the proposed programmes in this CSP aim to have an impact on poverty in the medium run, for example in the rural development sector. It should also be noted that this strategy is designed in such a way as to enable the assistance programmes to evolve over time as and when more pressing priorities are addressed.

Under the Development Cooperation Instrument (DCI), an indicative allocation of € 1030 million has been earmarked for Afghanistan for the period 2007-13. These resources may be supplemented by projects and programmes financed under the regional programmes and under various thematic programmes.

During the period that this CSP was being drafted, in 2005, the Government was in the process of drawing up a new interim Afghan National Development Strategy (i-ANDS). The i-ANDS will serve as the overarching framework for the country's future development agenda, prioritising and sequencing development objectives for the next 5 years. This CSP, covering the period 2007-13, is the result of an ongoing dialogue with the Afghan Government during the development of the i-ANDS. From the CSP, a new National Indicative Programme for 2007-10 will be drawn up, which will set out in more detail the EC's development activities for the next 4 years. These activities will be aligned with the objectives of the new i-ANDS.

Afghanistan and Neighbouring Countries



1. THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

1.1 Analysis of the political situation

Afghanistan has made **impressive progress** since the fall of the Taliban in November 2001. The **Bonn Agreement** of December 2001, intended to put in place a “broad-based, gender-sensitive, multi-ethnic and fully representative government”, has been successfully implemented. Milestones in this process were the adoption of the new constitution in January 2004, presidential elections in October 2004, parliamentary and provincial elections in September 2005 and the inauguration of the new National Assembly in December 2005.

However, challenges remain, with growth in the opium economy, continuing security threats, and an ever apparent potential for ethnic tensions. In particular, the **narcotics trade is a primary threat** to stable political development. The opium economy is spreading; and nascent state institutions are vulnerable to corruption. There is a risk of ‘state capture’ by narco-interests. Insurgents and other anti-government elements are also thought to benefit from drug trafficking activities. The narcotics trade is thus undermining both stabilisation and development efforts.

Related in part to the drugs trade, **the security situation** remains **fragile**. In the south and east of the country especially the insurgency led by the Taliban and other armed groups has led to increased casualties during 2005 and 2006. The intensity of the insurgency in the south and east has been characterised by an increase in roadside bombings, burning of schools and suicide attacks (until recently unknown in Afghanistan). Killing of local officials has included reform minded senior figures, including provincial governors. The work of NGOs, indispensable to the reconstruction process is increasingly hampered; local Afghans working for international NGOs have increasingly been targeted. Some progress has been made on the demobilisation of the Afghan Militia Forces though; demobilisation was officially completed by mid-2005. However, **illegal armed groups** continue to pose a threat in certain parts of the country, particularly in the south.

Voting patterns in the Presidential elections confirmed the importance of ethnic factors in Afghan politics: Afghanistan remains **politically divided along ethnic lines**. The current government is pursuing a policy to **strengthen central authority**. In this context, **centre-periphery issues** are a further potential source of conflict. If the centralising policy is to be sustainable, the regions will have to see concrete benefits in improved security and economic prosperity.

Despite improvements since the fall of the Taliban, **human rights** in Afghanistan remain problematic. Issues concern the transitional justice process for handling human rights abuses which were committed during 23 years of warfare, women’s rights and an unreliable justice system. Tackling the human rights problem is closely related to improving the legitimacy of the government in the eyes of the electorate.

Regional cooperation on security and economic issues is a prerequisite for stable and sustainable development in Afghanistan. In general terms, Afghanistan has developed constructive relations with its neighbours in recent years but continued efforts will be required to support overall stabilisation and development efforts in the country.

1.2 Analysis of the economic situation including trade and social indicators

The **formal economy** did not perform as well as **expected during 2003/04**, due in large part to adverse weather conditions. However, there are still encouraging signs of growth with real **GDP**

growth at 16% in 2003/4 and 8.0% in 2004/5. Moreover, the trend is likely to **continue upward** with GDP growth expected at 13.6% in 2005/6 and 11% in 2006/07. This will be mainly driven by agricultural production coupled with sound macroeconomic policies.¹

The **new currency** introduced in late 2002 has remained **stable** and inflation has remained low. The Afghan Government's efforts to increase the flow of domestic revenues to the centre have borne fruit – USD 200 million flowed to Kabul in 2003/04 and in 2004/05 domestic revenues reached USD 256 million.² The current estimation for 2005/6 is USD 309 million. However, there is still a long way to go before budgetary sustainability is achieved, with a core budget deficit of over USD 1 billion needing to be financed by the international community. At the Berlin Conference (spring 2004) it was projected that Afghanistan would take until 2013 to reach self-sufficiency in terms of the recurrent budget.

Agriculture accounts for approximately **48%** of Afghanistan's GDP, but supports over **85% of the total population**. Other important sectors are services (30% of GDP) and construction (5.0% of GDP). Construction and services benefit in part from buoyant aid-related demand but also from illegal opium-related activities.

The income of Afghan poppy growers and drug traffickers was around **USD 3 billion** in 2005, which represents less than 10% of the final street value of the illegal drugs, but **60% of Afghanistan's formal GDP**. Cultivation has now spread to all provinces in Afghanistan, which is estimated to produce close to **90% of the world's illicit opium**. The UNODC Opium Survey 2006 reported that there is a 59% increase in opium cultivation in Afghanistan from 2005 levels. Moreover, some 70% of this increase was from one southern province alone, Hellmand. It is currently estimated that over a third of the world's opium supply is derived from Hellmand. In recent times, parts of the south have come to represent a lack of any functioning government and rule of law. This now represents a significant challenge to the Afghan Government and NATO troops in these areas.

In terms of industrial base, Afghanistan has a **rudimentary manufacturing base**. Most factories are located in Kabul and a few major regional cities such as Herat and Mazar-E-Sharif. These industries concentrate on traditional activities, such as carpet weaving and dried fruit production. The **informal economy** plays a far greater role in Afghanistan. Although reliable estimates are not easily available, there are indications that informal economic activities, including the drugs trade, **may well exceed** the size of the **formal economy**.

Afghanistan runs an **open trade system**, is an **observer to the WTO** and has applied for full membership of the **WTO**. However, despite having extensive natural resources, including gas, oil and valuable minerals, Afghanistan's **exports remain limited** and **economic institutions are fragile**. The country exports mainly primary products, mostly of agricultural origin. Neighbouring Pakistan is its largest trading partner. Remittances and external aid finance a large part of the **current account deficit**, which runs at **over 10% of GDP**.

Afghanistan's economy remains dependent **on international aid**. At the Berlin Conference in the spring of 2004, the international community pledged a total of USD 8.3 billion over the next three years. These substantial pledges meant that the annual level of financial support flowing to Afghanistan increased significantly during the period. At the London Conference in January 2006,

¹ Source: 6th Review under the Staff Monitored Program, 22 November 2005.

² Source: IMF Country Report Nr. 04/110, April 2004.

an amount of some USD 10.5 billion was pledged for 2006/7 onwards (no specific year was attached to these pledges and a proportion of the pledges had been previously announced).

Widespread poverty, increased opium production and trafficking and heavy reliance on external aid highlight the **fragility of the current Afghan recovery**. The greatest challenge remains finding a viable and sustainable replacement to the opium economy which has become so embedded in the country's economic life and affects the society and livelihood of the people at a multitude of levels.

1.3 Analysis of the social situation

The **2004 UNDP Human Development Report for Afghanistan** – 'Security with a Human Face' – highlights the extent of country's acute poverty. The Human Development Index ranks Afghanistan 173rd out of 178 nations in 2004. Only a few Sub-Saharan nations rank lower. Poverty is compounded by a lack of health and social services, as well as poor education and nutrition levels. **Per capita income is around USD 290**, the lowest in the region. Poverty is widespread. Only 23% of Afghans have access to safe water, 12% to adequate sanitation and just 6% to electricity.

This situation is exacerbated by **massive population movements**. In the past two years 2.5 million Afghan refugees have returned to their home country, while an additional 600,000 internally displaced persons (IDPs) have moved back to their place of origin. In total, more than 5 million Afghans are living outside the country, mostly as refugees in urban areas in Pakistan and Iran. Repatriation is an ongoing process and although it is expected that a significant proportion will remain in Pakistan, returns will raise challenges in terms of sustainable reintegration and reinforcing the rural-to-urban shift in population. In terms of livelihood, migration has become a perennial part of the Afghan economy. An estimated USD 500 million in remittances are sent back each year by Afghan migrants, mostly from Iran, Pakistan and the Gulf countries.

The **literacy rate** in Afghanistan today is one of the lowest among developing countries. Only 28.7% of Afghans over the age of 15 can read and write. Nevertheless, considerable progress has been made since the fall of the Taliban. More than 3 million students were enrolled in grades 1-12 in 2004 with a third of these being girls since 2001. That said, there is still a large imbalance in access to education between **gender** groups.

Life expectancy in Afghanistan (44.5 years) is at least 20 years lower than in all of its neighbouring countries and 6.1 years lower than the average of the Least Developed Countries. The **Maternal Mortality Rate** is set at 1600 per 100,000 live births and the **Infant Mortality Rate** at 274 per 1000, making Afghan health indicators amongst some of the worst in the world.

1.4 Analysis of the environmental situation

More than 20 years of war, a decade of drought and the unsustainable use of natural resources, which could not be checked by weak state institutions, have **degraded the Afghan environment**.

Water shortages and deforestation are particular concerns for Afghanistan's development. Forests, which play an important role in maintaining the retention capacity of watersheds and mitigating climatic fluctuations, have been destroyed. Logging for construction materials and firewood reduced forest cover from around 4.5% in the 1970s to between 1 and 2% today.

Environmental problems concern both the **countryside and the cities**. Afghanistan's economy depends on agriculture to provide livelihood for the majority of its people. There is no alternative

economic occupation for many of them. Water shortages, desertification and soil erosion have therefore a direct impact on their well-being.

City dwellers may be sheltered to a certain degree from the economic effects of these environmental problems, but they suffer instead from air pollution, a lack of waste disposal systems and a shortage of clean water (*see Annex 4: Country Environment Profile*).

2. AN OUTLINE OF THE POLICY AGENDA OF THE BENEFICIARY COUNTRY

2.1. The Afghanistan Compact and the interim-Afghan National Development Strategy (i-ANDS)

Even before its formal completion at the end of 2005, it was clear that the undoubted achievements of the Bonn transitional process remained fragile and uneven, and were not yet sustainable. Peace, stability and continued economic recovery in Afghanistan would therefore need further nurturing, and this would require continuing efforts both from the Afghan government and from the international community. This realisation led to the launch of a **new framework for cooperation**, the **Afghanistan Compact**, at the London Conference on 31 January/1 February 2006. The Compact establishes **strategic goals** for Afghanistan over the next **five years** in four key areas: security; governance, rule of law and human rights; economic and social development; and counter-narcotics. The Compact includes detailed benchmarks and timelines in each of these areas, as well as provisions on aid effectiveness and monitoring.

During the London Conference, the Afghanistan government also launched the **interim Afghan National Development Strategy (i-ANDS)**. The i-ANDS complements the Afghanistan Compact, providing a more detailed analysis of the development activities required in the country over the next five years.

The Afghanistan Compact and the i-ANDS together provided the basis for policy planning of the both the Government of Afghanistan and the international community. The following chapters outline in more detail the goals of the Afghan government in specific policy areas.

2.2. Political agenda

Amongst the **main policy challenges** facing the Afghan government are taking forward the difficult processes of **state-building and sustainable development**.

After the presidential election of October 2004, **parliamentary and provincial elections** took place on 18 September 2005. Election-day itself was largely peaceful and passed off without major security incident. These were the first parliamentary elections in Afghanistan for 36 years and were monitored by an EU Election Observation Mission headed by Emma Bonino, MEP.

The new National Assembly was inaugurated on 19 December 2005, formally closing the Bonn process. The challenge is now to establish a functioning parliamentary system from the elections. **Rooting democratic institutions** and attitudes firmly into the Afghan political culture is a long-term goal with a time horizon stretching way beyond the elections.

A calm security situation is indispensable for the stabilisation of the political system. Insurgents supportive of the former Taliban regime as well as local warlords in control of armed groups are challenges that need to be tackled.

The growing opium economy and the **danger of state capture by narco-interests** pose a critical threat to development and state-building in Afghanistan and to sustainable improvement of the security situation. Without firm and decisive action, this problem could gravely undermine reconstruction efforts. The government adopted a detailed **Counter-Narcotics Implementation Plan** in February 2005. A year on, at the London Conference in January 2006, it published an update of its existing **National Drug Control Strategy (NDCS)**. This strategy will require constant refinement and continued political support.

In particular, it is critical that the main priorities and pillars of activity under the NDCS are taken forward in a sequenced and coordinated manner. Any programme for establishing alternative livelihoods cannot take root without a functioning rule of law. Moreover, the fight against the narcotics trade cannot be run from Kabul alone; government structures need to be in place in the provinces to execute the new laws. In this vein, future EC assistance will be focused at both a national and sub-national level as appropriate.

Related to the drugs trade is the general question of asserting the legitimate authority of the central government against **regional power-brokers**. A void in the state's reach in the regions will result in a significant lack of law enforcement, which amongst other factors will enable the opium economy to continue to flourish.

2.3. Economy, trade and social issues

The Afghan government has declared its commitment to transform Afghanistan into a **well-functioning market economy**. **Economic growth** for the non-drug GDP is forecast at 8.0% for the current year, while the government's **growth target** is expected to reach an ambitious **9.0%** p.a. over the next 12 years. However, growth remains to a considerable extent temporary and recovery related. Construction and services continue to benefit from a buoyant aid-related and possibly opium-related economy and activities are predominantly driven by international reconstruction and large-scale imports (more than 60% of the non-drug GDP).

Furthermore, **poverty** remains **widespread** and national aggregate demand limited. From a low level of 135 in 2001, income per capita is now projected at USD 293 and is expected to reach USD 350 by the year 2015.

To achieve this goal the Government of Afghanistan will need to maintain high rates of growth and to make inroads to alleviate poverty and overcome the demand-side constraints, as well as to build an **effective and efficient public administration**, which has so far been poor and limited to core functions.

The government has launched a wholesale reform of all **economic governance legislation**, which is also a crucial step towards improving the **business environment** and fostering **private investments**, but ensuring adequate implementation and enforcement will remain a difficult challenge. The predominance of the **informal economy** – a large share of which is illicit – serves as a disincentive to legitimate foreign and domestic investment and undermines the country's stability. With the exception of the telecommunications industry, the private sector has been largely reluctant to undertake medium to long-term productive investments.

Legislative reforms are backed by a **privatisation programme**. The government has announced its intention to privatise most existing state companies. However, it is proving difficult to muster the necessary political consensus for concrete privatisations and as a result interest from foreign investors has yet to materialise.

The government and the central institution are committed to maintaining **macroeconomic stability** through a balanced budget, low inflation and a stable currency. These policy goals have so far been achieved to a remarkable degree against the background of a precarious security situation and destruction of the country's productive base over the last decade. Inflation remains under control. However, **revenue collection** amounts to only 4.5% of GDP and is one of the lowest in the world, barely covering 50% of the current operating budget. Domestic revenue increase depends on the creation of a competitive formal sector, the increased capacity of the tax administration, and the development of a tax paying culture. Such considerations will affect donors' – including the EC's – future support for the government budget (*see Section 4.3*).

The domestic reform agenda is complemented by **active trade diplomacy** in the region and on the global stage. In order to increase stability and foster economic growth, efforts are being made on cooperation with **neighbours** on land transport, border crossings, inter-connection of gas and electricity grids, transit formalities, sea freight costs and migration. An increase in intra-regional trade and the competitiveness of domestic industries is at the core of the Afghan economic strategy. Several conferences and trade fairs have been organised in Afghanistan in the last few years to strengthen regional economic ties and make Afghanistan more attractive to investors. With a more developed and effective system for transit and international trade, Afghanistan aims to play a key role as a land bridge between Central Asia and South Asia.

Afghanistan has applied for **membership of the WTO**. Membership should help to provide a firm framework for its legislative development progress as well as offer national and international credibility to Afghanistan's market oriented economic policy. However, in view of the supply side constraints on the Afghan economy and the administrative weakness of the local administration, this must be considered a long-term ambition.

2.4. Environmental Policy

The Afghan Government, with the support of donors, has put in place wide ranging programmes of reforestation and water basin management to deal with the most serious environmental challenges in the country. Examples of these include the EC-funded water management programmes in the North East region.

But overall, environmental policy is in a nascent state in Afghanistan. Environmental policy objectives have been formulated by international agencies in cooperation with the former Interim Administration and the current Government. The following areas into which Afghanistan's most pressing environmental needs fall have been identified by donors and the Government alike:

- ecosystem and biodiversity conservation and management, including combating desertification,
- integrated pollution control and
- private sector investment in the environment sector.

On top of these identified sector needs, there is a chronic need to build up institutional capacity in government to develop and take forward environmental policies. To date, very little in terms of concrete actions has been implemented. The UNEP, with support from the EC, is supporting the drafting of an environmental framework law which will provide for the establishment of detailed regulations, rules and procedures (*see Annex 4: Country Environment Profile*).

3. AN OVERVIEW OF PAST AND ONGOING EC COOPERATION, COORDINATION AND COHERENCE

3.1. Political dialogue

In November 2005 Afghanistan and the EU signed a Joint Declaration which provides the first formal basis for the cooperation between the two parties. It provides for regular high-level political contacts between Afghanistan and the EU.

3.2. Economy and Trade

Afghanistan is entitled to **quota and tariff free access for all its goods** to the European market under the 'Everything But Arms' initiative (EBA). However, in spite of this favourable treatment, trade volume from Afghanistan to the EU has remained limited; the main focus should be to increase Afghanistan's trade with its neighbours in the region.

In terms of trade potential, a more promising focus for future EC assistance should be helping to develop the **regional trade flows** between Afghanistan and its neighbours. In this regard, the eastern corridor with Pakistan is a particularly important trans-border trading route which offers huge potential for further development. The **Good Neighbourly Relations Declaration**, signed in December 2002, provided the political framework for such cooperation. From this initial step, declarations on trade have been made, although little to date has been taken forward. The EC could support Afghan national actions emerging from implementation of the Good Neighbourly Relations Declaration and in particular the associated action plans for fostering regional trade.

At a policy level, the EC is a regular partner of the Afghan Ministry of Commerce in discussions on Afghanistan's joining the World Trade Organisation.

3.3. Assistance: Achievements and lessons learned

Overview

The **European Commission has provided development/humanitarian assistance to the Afghan population since the late '80s** with projects for Afghan refugees in Pakistan and Iran. During the 1990s, the EC had a three-pronged approach: (i) continued support to Afghan refugees, (ii) support for returnees to peaceful areas of Afghanistan and (iii) humanitarian aid in conflict-affected areas. These programmes were implemented through ECHO.

After the **Bonn Agreement in December 2001**, the first Commission policy papers on Afghanistan (CSP 2003-2006, NIP 2003-2004, and NIP 2005-2006³) set out the main focal sectors of EC assistance in the post-Taliban period. These sectors consisted rural development, health and social

³ Documents available at http://europa.eu.int/comm/external_relations/afghanistan/intro/index.htm).

protection, public administration reform and infrastructure. Four non-focal sectors were also highlighted: de-mining, regional cooperation, refugees/returnees and counter-narcotics. In terms of the health and refugees/returns programmes, the Commission's assistance very much built on the earlier interventions of ECHO in the late 1990s.

In the initial transition period, from 2002, EC assistance to Afghanistan has played an important role in a number of key sectors:

Around €12 million has been devoted to **reforming the public administration** and strengthening the government, through capacity building within key government institutions and continued financial support for the government's **recurrent budget**. This has enabled the Afghan government to deliver key public services, urgently required by the population.

A further €5 million has been provided to fund the **new Afghan National Police**. This is a key component in Afghanistan's fight against drugs. In addition, the EC has financed separate projects to strengthen border control on the Afghan-Iran border so that the authorities are better able to interdict and stop drug smugglers.

Three-quarters of the Afghan population depend on agriculture for their livelihood. The EC has channelled €203 million into the **rural economy**, to promote food security and to underpin the growth that is necessary to provide alternative livelihood opportunities for rural communities who might otherwise depend on illicit poppy cultivation.

In terms of **infrastructure**, the EC has made an important contribution to the regeneration of the national economy by helping to repair the roads network (€90 million) and finance the clearance of some 8 million square metres of land mines, allowing for the reconstruction of homes and properties and return of families.

Life expectancy and other **health** indicators in Afghanistan are some of the worst in the world. Over the past years the EC worked alongside the Government to tackle the most pressing health issues. Through its extensive support to the Basic Package of Health Services (BPHS), the EC contributed in ten provinces to a more accessible and equitable health care system.

Integrated in its national reconstruction programme and in order to contribute to the **return of Afghan refugees**, EC assistance (Aid to Uprooted People - AUP) focused on improving the rural economy and health services within Afghanistan in areas with largest proportion of returnees. Additional aid in neighbouring Pakistan and Iran provided protection and basic assistance to refugees before their return and explored long-term solutions for the remaining caseload of refugees.

The **Afghanistan Returns Plan** was adopted by the Council in November 2002 has served as the framework for a number of EC returns projects implemented by such agencies as IOM and UNHCR.

The difficult operating environment in Afghanistan has led to concerns about **absorption capacity**. This results from both the security situation and the weakness of government institutions. However, rates of contracting and disbursement have been maintained in the period 2002-5 as shown in the table below:

| In million EUR | 2002-2005 Commitments Situation as per 31/12/2005 | | | | |
|-------------------------------------|--|---------------|--------|---------------|-------|
| | Committed | Contracted | % | Disbursed | % |
| Health and Social Protection | 42.66 | 42.66 | 100.00 | 30.09 | 70.53 |
| Infrastructures | 89.87 | 81.41 | 90.59 | 46.43 | 51.66 |
| Institutional support | | | | | |
| PAR | 30.45 | 24.13 | 79.24 | 16.51 | 54.22 |
| ARTF | 182.14 | 164.73 | 90.44 | 162 | 88.94 |
| (including UNDP TF in 2002) | | | | | |
| LOTFA | 95.00 | 95.00 | 100.00 | 85.00 | 89.47 |
| Rural Development | 203.17 | 176.63 | 86.94 | 125,23 | 61.64 |
| Demining | 40.40 | 33.88 | 83.86 | 25.42 | 62.92 |
| Civil Society / Media | 42.72 | 42.25 | 98.90 | 37.30 | 87.31 |
| Regional Cooperation | 8.19 | 7.00 | 85.47 | 6.50 | 79.37 |
| Information /studies | 8.66 | 6.69 | 77.25 | 5.34 | 61.66 |
| Various (monitoring, audits) | 6.36 | 5.32 | 83.65 | 3.20 | 50.31 |
| TOTAL | 749.62 | 632.80 | 84.42 | 543.02 | 72.44 |

Lessons learned

Evaluations of past and current projects is an ongoing process. Over the last 12 months, evaluations have been undertaken for the Afghan Reconstruction Trust Fund, Aid for Uprooted People and rural development programmes. There has also been a DFID funded evaluation of the Basic Package of Health Services (BPHS) programme of which the Commission has been a major donor together with the World Bank and USAID. The recommendations from this study, particularly for increasing the effectiveness of EC assistance, will be taken into account in the configuration of future BPHS programmes.

In the early stages of its reconstruction activities in Afghanistan, the European Commission was **involved in a very wide range of sectors**. This was justified in the immediate post-crisis environment. However, due to the presence of a host of different international actors, conditions are now more conducive to greater division of responsibilities among donors.

A similar consideration applies to the **geographic focus**. The European Commission is currently funding projects in 33 out of 34 provinces. In the interests of the efficiency of the programme, the European Commission will seek more geographic focus to its programmes, especially in the rural development sector where the focus should be more on the eastern and north eastern provinces.

In relation to the Afghan **refugee situation**, the emphasis has changed from responding to an immediate humanitarian crisis to one of tackling the more long-term development and migratory challenges of displaced populations. In this vein, the focus has shifted to addressing *in situ* the development needs of refugees, helping them, where possible, to integrate in the border regions where they have settled. Accordingly, future EC strategies for both Pakistan and Afghanistan must incorporate this approach in their respective programmes, especially in relation to regional and cross-border cooperation.

Government structures have made some progress in improving their **capacity to implement programmes**. Past EC investments in programmes such as the National Solidarity Programme (€25 million) have helped extend the state provision and establish mechanisms for greater dialogue between village, district and provincial tiers but much remains to be done to ensure a better functioning local government.

Integral to achieving better government at all levels is the need to increase efforts to build up the capacity of local Afghan institutions. Future sector programmes should ensure **human resource development** is at the core of activities, be this within partner ministries, such as the Ministries of Health and Rural Development, or within the provincial authorities.

The EC has been heavily engaged with both the Government and other key donors in helping shape policy on counter-narcotics. It has supported the UK and World Bank in the policy of ‘mainstreaming’ counter-narcotics across a range of sectors. The approach should be one of delivering a wide range of services to an area – including social and physical infrastructure, and agricultural support – and thereby removing conditions which may encourage the farmer to cultivate opium poppy for economic reasons. In the past, donors have focused on alternative livelihoods as a single sector or programme for investment and ignored the wider development effort needed to contribute to reductions in cultivation and trade in opium.

Related to this, the EC should continue to support the Government’s plans to **decentralise development planning** to the district and provincial level. A crucial next step is to build up the capacity of the local authorities to identify and respond to the development priorities in their area, particularly in dealing with the problem of illicit poppy cultivation.

To date, the European Commission has channelled funds through a number of means. It has directly funded private contractors and NGOs, as well as channelled funds through the framework of the National Development Budget, and through the multilateral trust funds established to support the Government’s recurrent budget and the National Priority Programmes. For the medium term, **multilateral trust funds** may continue to be a necessary vehicle for channelling substantial budgetary support. As and when the capacity of government departments increases, there could be more scope to provide funding directly through government channels.

Other sectors, such as education and security sector reform, are being covered by other donors, notably the US; as such, the EC is not closely involved in evaluating lessons learned in these areas. However, in terms of the education sector it should be noted that Afghanistan is benefiting from the

EC co-operation in higher education. This initiative is aimed to facilitate the participation of Afghani graduate students, among others, in European masters courses.

3.4. Activities of other donors

A detailed list of donor activities is found in the donor matrix in Annex 5. More specifically, the **following donors are active in areas of particular relevance to EC activities in Afghanistan.**

The World Bank, ADB and DfID are the main contributors to **rural development** besides the Commission. Other players include the FAO, WFP, France, Italy and Canada. Coordination is done via the Consultative Group on rural development.

The UK is the lead nation on **counter-narcotics**. Other major contributors are the US and the Commission. Their activities cover a wide range, including support to alternative livelihoods, law enforcement, interdiction and eradication. The UK is overseeing the **Counter-Narcotics Trust Fund (CNTF)** which is a multi-donor facility aiming to support a range of activities in the field of counter-narcotics. The EC provided €15 million to the CNTF in 2005.

World Bank, USAID and EC are the major contributors to the **health sector** in Afghanistan. They are sharing among themselves the implementation of the Basic Package of Health Services. Other donors active in the field of health include the ADB, which funds the delivery of the BPHS in 8 districts of 2 provinces. UNICEF is especially active in the fields of immunisation and Safe Motherhood. WHO provides technical support to various vertical programs e.g. the polio, TB, and malaria programmes.

Italy is the main donor and lead nation in the **justice sector**. Italy is providing technical assistance to the justice institutions (MoJ, Supreme Court and Attorney General's Office) and is engaged in capacity building at both central and provincial levels (training of judges, prosecutors and officials of the MoJ). UNDP is providing technical assistance to the MoJ (Senior Advisor to the MoJ and to the Supreme Court) and to the Faculty of Law. Both UNICEF and UNODC are providing support to juvenile justice, UNODC being primarily involved in the penitentiary sector (detention centres). USAID is providing technical assistance in terms of drafting legislation, training and case management and the US State Department is involved in criminal justice and counter-narcotics. Canada, through CIDA, is providing capacity building in terms of training judges and is setting up a legal aid system.

In the area of **public administration reform**, the World Bank and DFID are implementing the Emergency Public Administration Programme 2 (EPAP) and are together providing technical assistance for PRR, Independent Administrative Reform and Civil Service Commission (IARCSC) capacity building. DFID is also providing technical assistance as well as strategic policy support. The Korean government provides computer training centres and will provide the IARCSC with infrastructure (building and hardware) for the future Institute of Public Administration. The ADB is providing technical assistance in administration efficiency. UNDP supports other components of the overall Public Administration Reform programme (PAR) in terms of training and recruitment.

The US and the World Bank are the main donors in the **education sector**. There are many other, smaller donors, who contribute also to the education sector, including EU Member States. The substantial commitment of other donors in education has enabled the Commission to concentrate on other social sectors which are arguably more under-funded, for example primary and secondary health provision. Moreover, there is an education component related to the social protection

programme which sets out to address the different **educational needs of vulnerable groups**, be this in the non-formal or vocational/technical education sectors.

The **security sector** is another area where the Commission is not involved. Support to this sector comes mainly from the US, with smaller contributions from UK, Japan and some EU Member States.

To assure **coordination with donors** there is a Consultative Group (CG) on PAR and Economic Management chaired by the Chairman of the IARCSC which meets quarterly. The main donors (World Bank, DFID, ADB, UNDP and EC) organise regular meetings on PAR to exchange their views and to coordinate their activities on PAR in order to maximise their resources and to avoid any overlap.

The Afghanistan Compact provides for the creation of a joint (Afghan and international) Coordination and Monitoring Board. The Board will be co-chaired by a senior Afghan official and by the Special Representative of the UN Secretary-General. It is tasked with monitoring the overall implementation of the Compact and with ensuring that political impetus is maintained.

4. THE EC RESPONSE STRATEGY (INTERVENTION SECTORS)

4.1. Principles

Based on the above analysis, the country strategy for 2007-2013 should seek to ensure:

Greater sectoral focus and, where appropriate, a geographic concentration to assistance programmes;

Support for continuing improvements in Afghan government capacity, including revenue collection capacity to enable recurrent budget support to decline;

Support for the legal system and counter-narcotics strategies;

Effective mainstreaming of counter-narcotics objectives into the EC's overall development effort, particularly in its rural livelihoods and rule of law programmes.

In terms of harmonisation with other donors, the Commission will endeavour to incorporate the principles of the **Paris Declaration** into its programmes, ensuring it supports those sectors where the EC has a clear value-added and where there is a lack of other major donors.

The proposed programme areas cut across a range of key policy areas covering counter-narcotics, security sector reform and the establishment of the rule of law. This mix of interventions dovetails well with the policies being pursued by the Government as set out in the Afghanistan Compact and i-ANDS. The strategy also sets out to incorporate recommendations of the **EC Communication on Conflict Prevention (2001)** ensuring key elements such as regional integration, electoral and parliamentary processes, security sector reform and administration of justice are given due prominence in future programmes.

In terms of the interface between this CSP and the **wider EU policy environment**, there is no significant impact of Community trade and agricultural policies on Afghanistan, however Afghanistan is a beneficiary of the "Everything But Arms" trade concessions for least developed countries. In the sector of Justice and Home Affairs, drugs policies in Afghanistan have a clear read

across to the overarching EU Drugs Strategy; activities in this CSP have relevance to the work being undertaken within the EU on demand reduction. Similarly, for migration, there is an EU Afghanistan Returns Plan, facilitating the flow of Afghan returnees back to Afghanistan from EU countries.

The guiding principles for EC assistance will be to utilise Government structures wherever this is feasible in implementing programmes and to provide continued support to existing national programmes, for example in the rural sector. The priorities set out in this CSP take into account the Government's own development agenda, as set out in the key guiding documents, the Afghanistan Compact and the interim Afghanistan National Development Strategy (i-ANDS) (*see section 2.1*). Moreover, there has been an ongoing **dialogue** with the Government throughout 2005 to ensure that these priorities dovetail with the emerging i-ANDS.

The response strategy concentrates on three focal areas and three non-focal areas. The EC's activities in these sectors build in many ways on the humanitarian work done by ECHO and Aid to Uprooted People (AUP).

Focal areas:

- Rural development;
- Governance;
- Health;

Non-focal areas:

- Social protection;
- Mine action;
- Regional cooperation.

In terms of funding, the following sector allocations are proposed for the NIP period 2007-10:

| <u>Focal / Non-Focal Sector</u> | <u>2007 -10</u> |
|---------------------------------|-----------------|
| Rural development | 30% |
| Governance | 40 % |
| Health | 20 % |
| Social Protection | 4-5% |
| Mine action | 4-5 % |
| Regional cooperation | 1-2 % |

4.2 Rural development

The Commission should continue to be at the forefront of the rural livelihoods agenda. Hence, a significant level of resources will be channelled into *sub-national programmes* in rural development in specific provinces. The East and North-Eastern provinces are to be targeted, not least because of their importance in the overall counter-narcotics effort. In 2004, these two regions produced around

55,000 hectares of opium poppy, around 40% of total cultivation. These are also regions where the EC has already been supporting a range of rural development and water-basin management programmes since 2002. Complementing the sub-national rural development programmes, the Commission will also continue to invest in specific *national programmes* aimed at shaping policy in sectors that are key to the country's future development, for example irrigation, livestock and horticulture. As well as developing the rural economic base, the aim through the sub-national and national programmes will be to attain a wider provision of economic alternatives for farmers in the context of integrated rural development. This approach should address a whole range of social and employment factors and not simply focus on the issue of crop alternatives to poppy.

Sub-national focus

This programme will target the **East and North-Eastern provinces**, i.e. Nangarhar, Laghman, Kunar, Nuristan, Badakhshan, Takhar, Kunduz and Baghlan, and, where necessary to achieve the programme purpose, their neighbouring provinces. However, this strategy will also keep in view developments in other regions of the country, for example the southern provinces, and could support multi-donor efforts in these regions if deemed necessary. Furthermore, the Commission will continue to keep under review its support to Provincial Reconstruction Teams (PRTs) and, as appropriate, use the PRTs as a vehicle for future assistance to the other regions of the country. An amount of €10 million was channelled to the PRTs during the previous CSP period.

The reason for this **regional focus** is an attempt to achieve greater impact in provinces where the EC has already ongoing rural development programmes. For example, Nangarhar, a province that has typically been one of the largest producers of opium (28,213 hectares in 2004) is an area where EC activity has been particularly focused with rural development programmes amounting to €40 million in 2003-4. Similarly, Badakhshan in the North-East (19,037 hectares in 2004) is another area in which the EC has been actively engaged with €30 million rural development programme in 2003-4.

Other provinces in the target regions include those of the so-called "food basket" of the country, namely Kunduz, Takhar and Baghlan. These are traditionally fertile agricultural provinces, producing rice, wheat, melons and other fruits and vegetables. But the drought in recent years, together with the growing opium economy, has meant an increasing trend towards poppy cultivation in these provinces, peaking in 2004. Although 2005 saw a decline in this trend, there is a need to ensure poppy does not become embedded in the rural economy, especially in view of the region's agricultural potential. Again, the EC is already heavily engaged in these provinces through its Kunduz River Basin Programme and the aim will be to build on this intervention, extending it to a broader-based rural development programme.

The programmes pursued in these and other targeted provinces in the East and North-East will be wider in scope than the traditional concept of alternative livelihoods as crop substitution. Rural development programmes will entail a range of interventions aimed at addressing the socio-economic, legal and political conditions which may encourage farmers to grow poppy. In this respect, where appropriate, existing programmes at national level should be used in delivering the regional (sub-national) development programmes.

This sub-national approach dovetails with the Afghan Government's move towards province and district based development plans. The purpose of the district and provincial planning process is to place the responsibility for identifying and prioritising the short- and long-term development needs of communities with the local authorities. The EC has already been involved in taking forward this

process in the eastern provinces, through its Programme for Alternative Livelihoods (PAL). Future EC rural development programmes in the East and North East should build on this approach, **increasing local capacity for district and provincial level planning**. This will be part of an overall capacity building programme within the local offices of the Ministry of Rural Development and other relevant agencies involved in the development planning process. Efforts will be made to ensure that all development plans integrate counter-narcotics objectives. Moreover, environmental factors will be taken into account in the development of these plans at the provincial and district level, in particular, where possible, building the capacity of local government to develop **contingency plans for dealing with natural disasters** caused by severe weather conditions and the like; (*see Annex 4, Country Environmental Profile*).

Fundamental to the development and implementation of the district and provincial plans in the targeted regions will be the need to ensure that donors' inputs are effectively coordinated. The development of the plans should facilitate this process but it will be important that all the main actors are involved, in particular the US, UK, Germany, World Bank and other key organisations such as the Aga Khan Development Network (AKDN). An example of such multi-donor coordination has been the Badakshan Development Forum facilitated by the AKDN.

It will be crucial that the provincial plans are consistent with the priorities and objectives set out in the Government's National Development Strategy. Moreover, for those **target provinces on the border with Pakistan**, it will be important to ensure complementarity with respective development plans for provinces on the other side of the border (*see Section 4.5, Regional Cooperation programme*).

National programmes

Key to achieving long-term alternative livelihoods is continued support to sustainable agricultural development at the national level. New national initiatives need to be taken forward and activities at regional level should be consistent with these national plans. As such, complementing the geographical focus on the Eastern and North-Eastern region, assistance will also be focused on some existing **national programmes for agriculture**.

The Commission is making a substantial investment in assisting the Afghan authorities with the rehabilitation and development of key rural sub sectors (e.g. **horticulture and livestock, seed production, and river basin management**). These national programmes are playing an important role in supporting alternative livelihoods nationwide by increasing the relative attractiveness for farmers of non-poppy activities. At a national level, new agricultural based programmes might also be pursued; for example, the export potential of certain agricultural goods could be strengthened *inter alia* by providing technical support to sanitary and phytosanitary measures (SPS).

Environmental issues will continue to be an integral part of all the Commissions' rural development programmes, for example in the introduction of up-stream afforestation as part of river basin management in the North-East provinces. It should also be noted that in developing alternative rural livelihoods, licit crops rather than poppy often require significantly higher inputs in terms of land, water, fertilisers, all of which have implications for the local environment. In terms of land availability, the ongoing national **de-mining programme** continues to be of priority for the rural sector and will receive further EC support in the future; (*see Section 4.5, Mine Action programme*).

4.3 Governance

Afghanistan's **economic and political development depends on the progressive strengthening of a functioning state**, governed through accountable, democratic institutions, and able to ensure security and the rule of law over the entire national territory. Given the rudimentary state of the administration and the infrastructure supporting it, sustained efforts will be needed to thwart the threat of Afghanistan becoming a failed state, due to both low capacity and the lack of good governance, especially in provinces and districts, and the continuing prevalence of poppy culture, which raises the risk of narco-interests capturing the state apparatus with potential wider implications in terms of regional stability.

It is therefore vital to support the Afghan government in its efforts to **strengthen the rule of law, good governance and democratisation**. Building on the substantial investments already undertaken during the 2003-2006 CSP, the EC will focus its intervention on two priorities: the rule of law, in particular the justice sector, and public administration reform.

Civil society organisations will be targeted where appropriate in the planning and implementation of specific programmes in the justice and governance sectors. Moreover, although there is not a designated civil society programme in this CSP, civil society organisations are to be targeted across other key sector programmes, in particular in the health and social protection sectors, e.g. implementation of public information campaigns and training programmes.

Rule of law

The reconstruction of the justice sector is essential for the establishment of the rule of law, which is, in turn, a key condition for political stability and sustainable economic development. An effective justice system is a prerequisite for the success of other projects supported by the Commission, such as establishing the Afghan National Police, the fight against illegal drugs and support to economic development. The Commission recognises the close linkage between progress in the reconstruction of the justice system as a whole and the success of the current anti-narcotics efforts. Failure in either would put into jeopardy the establishment of the rule of law and, in turn, the success of the whole state-building exercise in Afghanistan.

The Commission will support the strengthening of the capacity, the efficacy and the integrity of the justice system as well as the counter-narcotics efforts, following the lead of the Government and in close coordination with other donors, especially the lead nations in these areas. Synergies with the Commission's other interventions will be sought on both a thematic and a regional basis.

In terms of wider justice sector reform, the Commission will support the Government's future efforts based on its policy document "**Justice for All**". Critical to this process will be the establishment of an institutional reform framework in the justice sector, covering such issues as recruitment, remuneration and numbers of judges and prosecutors. The Commission will also build on previous interventions, such as the 'Access to Justice at District Level' project and complement the activities of other donors, particularly those of the lead nation in justice sector reform. Efforts will focus on building up the capacity of courts, prosecutors and defence lawyers so as to ensure the efficacy of the administration of justice and safeguard human rights, especially in provinces and districts. The interaction between informal and formal justice systems will be taken into account to see the extent to which both systems can be mutually reinforcing.

Future Commission programmes will also seek to build on its earlier interventions, particularly in support to the **Afghan National Police** and to the Government's counter-narcotics strategies, significantly the new **National Drug Control Strategy (NDCS)**. Specific projects centred on

ending impunity in drugs-related offences will be supported where possible, such as the roll-out of the Criminal Justice Task Force to the provinces. Both the NDCS and the Criminal Justice Task Force aim at strengthening local institutional structures responsible for countering the narcotics trade; this approach should be supported by EC programmes which will be increasingly focused at the provincial level.

Moreover, support may be provided to the government and civil society organisations for initiatives related to transitional justice. These will be considered as a part of the overall effort to strengthen Afghan capacity in law enforcement, which must also comprise strengthening inter-agency cooperation as well as cooperation between law enforcement, prosecution and the judiciary based on a joint analysis of the problems and including joint training.

The Commission's contribution to the trust funds in the law and order sector will continue as appropriate. Past EC contributions to the **Law and Order Trust Fund (LOTFA)** have been crucial for supporting the law enforcement efforts, in particular the running of the new Afghan National Police.

Public administration reform

In terms of wider public administration reform and good governance, the Commission will build on its past efforts and continue to assist the Government of Afghanistan in its objective of establishing a state structure based on democratic participation, ruled by accountable institutions, deemed legitimate by its citizens, and respectful of the rule of law and human rights.

Historically, attempts to establish a stable state structure have failed in Afghanistan, as a result of which its rulers have been left dependent on either outside powers' financial and material assistance or manipulation of its internal power structures. Because of excessive personalisation of power and reliance on ethnic networks, institutions have remained weak and unable to ensure continuity of the state in the event of a change in regime. The weakness of the state has been reflected in the tendency for over-centralisation, which has strained further the relations between the centre and the provinces.

For most citizens in Afghanistan, local government is the only form of government to which they have any relationship. If democratic participation is introduced at state level, but there is little or no perceived change in local living conditions, the gap between expectations and reality will grow, giving rise to the loss of legitimacy of the central government. By contrast, a functioning and accountable local administration capable of delivering basic services will increase the legitimacy of the overall state structure, in addition to contributing to central development objectives.

If governance is not improved, especially at local level, it will be politically difficult not only to raise revenue in the provinces, but also to mobilise popular support to tackle continuing violence associated with local warlords and drugs cultivation. Moreover, if revenue collection cannot be raised from its low base of an estimated 5% of GDP, the state and local authorities will continue to be overshadowed by warlords enriched by the opium trade, with the ensuing risk of state failure and conflict.

Thus, the EC strategy for good governance will follow a two-pronged approach. Firstly, interventions in the reference period will support **democratisation** and **local governance** through assistance to democratic processes, such as elections, and empowerment of local communities, with a focus on the provincial and district levels of administration. Through its programmes, the EC will encourage the Government of Afghanistan to pursue reforms in local governance and the principles

of democratic participation and subsidiarity in particular. Where possible, the aim will be to target such governance programmes so as to geographically complement other EC activities in the North-East and East regions. The EC will also consider working at the centre of the government administration in terms of providing support to a suitable **training facility for young civil servants**, e.g. supporting the development of a public administration training programme at a local university.

Secondly, the EC will assist the Government of Afghanistan in its efforts to bring about **sound financial management and accountability** with the aim of reaching financial sustainability by the end of the CSP period. The EC will continue to support programmes so as to stimulate revenue collection, through assistance in the **customs** field and, increasingly, in **domestic taxation**, as well as to enhance the accountability and transparency of public money flows, through technical assistance and capacity-building to relevant institutions, such as the newly established Parliament and the **Anti-Corruption Commission**. The EC will also, as appropriate, provide assistance to strengthen the capacity of the government to develop and implement a trade policy. This is of particular importance in view of Afghanistan's WTO accession process. EC assistance in the customs field will also aim at facilitating trade whilst ensuring the security of the 'supply chain' - ie. security of goods in transit, export and import; (*see Section 4.5, cross-border trade issues will also be tackled in the Regional Co-operation Programme*).

The EC recognises that achievement of the stated objectives, improving local government structures and establishing systems of revenue collection, requires sustained investment in information systems such as civil and land registries as well as statistics. Furthermore, these processes should help the state reconnect with its citizens, protect their rights and enforce their obligations with associated benefits economically.

It is clear that in the medium term, continued support for the recurrent budget will be needed, possibly through existing **multi-donor trust funds**. Support to such trust funds will therefore continue in the new CSP period, whilst also continuing to build the capacity of the Afghan authorities to increase revenue collection and thereby fiscal sustainability. Past EC support to the Afghanistan Reconstruction Trust Fund (ARTF) has been crucial both for the payment of public servants' salaries as well as for the funding of locally based reconstruction projects such as through the National Solidarity Programme. Support to both the ARTF and NSP should continue in the new CSP period.

4.4 Health

The EC will support the Afghan government in its endeavour to reach **four** of the **Millennium Development Goals related to health**, of which the reduction of maternal and child mortality are the most critical. This can be achieved by improving essential health services and institutional capacity building of the health sector at national and sub-national levels.

Health is a **sector where EC expertise has a comparative advantage in Afghanistan**. At present few donors support the sector. The EC has successfully assisted the Afghan government in bringing a **Basic Package of Health Services (BPHS)** to ten provinces and will continue its support to the delivery of basic primary health services to the country. At present EC assistance is covering some 20% of the country in terms of the provision of primary health. The World Bank and US are covering similar size areas. However, 25% of the Afghan population still has no access to any basic health care and the BPHS programme needs to extend its coverage. The aim will be to assist the

Government in reaching 90% coverage of primary health services by the end of 2010, as set out in the i-ANDS.

In terms of secondary health, an **Essential Package of Hospital Services (EPHS)** has been defined in support of improved referral of patients between different levels of the health system in district, provincial and regional level hospitals. Activities related to strengthening essential referral systems and quality of care and management will receive EC support in the future. The i-ANDS sets a target of 50% coverage of essential hospital services by 2010.

There will also be increased emphasis in the health programme on preventing and fighting the major communicable diseases such as HIV/AIDS, malaria and tuberculosis. In this vein, complementary support could come from the horizontal assistance programme “Investing in People” (see section 4.8).

The EC will also increasingly focus on **human resource development**, especially in terms of the recruitment, training and participation of women in the health sector. It will also focus on women as active, well-informed users of the health system. A specific focus will be on reproductive health.

Policy dialogue and studies in support of different fields of the health sector should contribute to comprehensive, well coordinated support to the sector that should increasingly move towards a Sector-Wide Approach to Health. Where possible, EC programmes will seek to utilise NGOs and other civil society organisations to promote **awareness of public health** initiatives at the provincial and district level.

4.5 Non-focal areas

Social protection

The EC has provided small scale but nonetheless important **support for vulnerable groups** over the last few years. In Afghanistan, a weakened social infrastructure cannot provide traditional safety nets and many socio-cultural traditions offer no protection to the poor especially in urban areas. The result is ever-increasing marginalisation of certain vulnerable groups.

One particularly visible group is the street children. This problem is not symptomatic of families abandoning children. Rather, many families cannot survive without their children’s economic contribution. With the alarming development of drug production, children are also used as drug dealers and many develop drug dependency, which makes the EC support to this specific group essential to prevent a street-living culture reaching unmanageable levels.

Because of the collapse of services and family breakdowns especially in urban centres, the EC will continue its support for vulnerable groups, such as street children and orphans, abandoned women, the disabled, drug addicts and refugees.

EC assistance will: (i) address the immediate needs of the vulnerable groups already identified and (ii) support the Government in acquiring the institutional capacity to better identify and mainstream the needs of vulnerable groups across all relevant national programmes and policies.

In terms of immediate needs, assistance will include targeting the educational needs of certain vulnerable groups, be this support for the provision of **non-formal or technical and vocational education**, or other life-skills training.

At policy level, the needs of vulnerable groups should increasingly be mainstreamed across existing and future national policies. EC support will aim to take forward this process, working with key ministries, especially the Ministry of Labour and Social Affairs. It is envisaged that a range of civil society organisations will participate in the planning and implementation of such a programme.

Mine action

Antipersonnel landmines, explosive remnants of war (ERW) and the trafficking and spread of illicit small arms and light weapons (SALW) contribute to the adverse security situation in Afghanistan, and complicate development efforts. Mine action and the fight against trafficking and spread of illicit small arms must be part of a coherent approach to security and development issues in the country. The other two non-focal programmes in this CSP set out to address elements of these problems within Afghanistan and neighbouring regions.

Afghanistan is still the most heavily mined country in the world, with estimates suggesting some 780 sq km in the country was mined and 500 sq km contaminated with ERW from recent wars. This is taking its toll on the local population. For the two year period, 2003-4, UNMAC reported that 1,865 people were either killed or seriously injured as a result of mines or ERW in Afghanistan. Of this total, almost half were under the age of 18.

The Government and UNMAC have a clear set of policies for tackling the problem and completing the de-mining process over the next ten years. The Landmine Impact Survey Study has been instrumental in identifying priority areas for future de-mining. The survey shows that a significant proportion of the mined land is in areas that are important for **economic development** and / or **returns** of refugees and displaced populations. Moreover, it is critical that the rural areas are de-mined in order to stem the continued **rural-urban shift in population** which has proceeded unabated since the end of the war.

The government/UNMAC de-mining programme has been performing well to date and the EC has been one of the major donors since 2002. The new 10-year plan provides a clear geographical and policy framework for interventions by international donors and the EC will continue to channel its support into this framework to enable complete clearance of mines over the next decade.

Regional cooperation

Cooperation with Afghanistan's neighbours will be critical in order to fulfil the development and state-building objectives, which the EC supports. One of the major examples of the need for regional cooperation is in the area of counter-narcotics. But regional economic cooperation will also be a key element in overall economic development. By way of example, the EC could support closer cooperation on issues of transit trade, regional economic infrastructure, migration, environment and natural resource management.

In terms of geographical focus, the **EC will especially seek to build and boost economic and social cooperation between Pakistan and Afghanistan**, targeting the eastern corridor from Kabul through Jalalabad and onto Torkham and NWFP Pakistan. This area now enjoys significant economic growth – it represents some USD 1 billion in cross border activity and has significant potential for regional cooperation. It also has great problems of cross border crime, including drugs trade. This is an area where EC will be focusing significant support in both in this CSP and in the Pakistan CSP during the same period. The increasing focus to the eastern and north-eastern regions of Afghanistan is **complemented by a similar focus on the western provinces in the Pakistan CSP 2007-13**, which

includes significant regional assistance programmes in the North West Frontier Province (NWFP) of Pakistan.

Where possible, EC cross-border programmes will also focus on the **northern border**, where there is a considerable level of illegal trafficking, including of drugs and SALW into Tajikistan and neighbouring countries northwards. Any border cooperation should complement the **EC Central Asia Regional Strategy 2007-13** which is similarly geared to cross-border issues with Afghanistan.

4.6 Cross-cutting issues

Human rights, gender and the environment are highlighted as key issues that affect a wide range of policy areas. These policy areas will be mainstreamed in all focal and non-focal areas where appropriate.

The issue of **gender** will be integral to programme planning in all three priority sectors. In the rural development programme, alternative livelihoods is integrated as one of the key objectives, and this will need to take account of the fact that a share of the labour harvesting the opium poppy is off-farm female labour, often seasonally migrating from other regions. As such, any alternative livelihoods and rural development programmes will need to take account of these employment patterns. In the health programme, gender issues have been an important element in the previous primary health programme and this will continue in secondary health assistance and in the social protection programmes.

In public administration, increased female representation in all tiers of the public administration will be an important consideration, perhaps with a focus on those regions targeted under the rural development programme. In this vein, programmes will aim to promote the effective participation of women in local decision-making where this is possible. Related to this, the current gender imbalance in access to **education and training** will be addressed where possible, ensuring that women are targeted in training programmes within ministries and public services, as well as at the community level in the social protection programme.

The **environment** will be targeted both at a project and policy level. In the rural development programme, regional environmental factors will need to be assessed in agricultural and water management projects as well as in the development of the Provincial and District Plans. Similarly, at the policy level, as part of a broader public administration agenda, assistance will be channelled into the central ministries to address the capacity problem to develop and implement new laws and government policies, including those in the environmental sector.

The CSP also aims to focus on **human rights** at a range of levels in its sector programmes. The rights of individual vulnerable groups are addressed in the social protection programme whilst, more broadly, access to justice, employment and security are fundamental concepts that underpin all the sector programmes for regional development, the rule of law and health.

Finally, given its unique significance in the Afghanistan context, the issue of **counter-narcotics** is mainstreamed throughout this assistance strategy as it affects the whole reconstruction and stabilisation effort in the country. The EC will continue to focus resources on building up sustainable alternative livelihood opportunities, through its rural development programme. But in addition, EC support to law enforcement and justice should strengthen the authorities' capacity for exercising effective interdiction in the counter-narcotics field.

4.7 Implementation mechanism

The programmes will be implemented via mechanisms that empower the democratically elected government as far as possible. Sector-wide approaches (e.g. health sector and rural development) and budgetary support will be explored.

The government's administrative capacity does not allow wide use of such decentralised implementation mechanisms at the moment. However, it is expected that government capacity will improve in the period covered by the CSP. As government capacity increases, decentralised implementation mechanisms will be phased in. The Commission will support the government in its efforts to develop the necessary capacity through support to Public Administration Reform (see section 4.3).

In line with the Afghanistan Compact's annex on aid effectiveness, the principles of the Paris declaration of March 2005 on donor coordination will be applied in the implementation of this CSP.

4.8 Regional and thematic programmes

In the context of cooperation with Afghanistan, along with the interventions provided for in this CSP, the Commission could pursue actions under the following thematic programmes:

- **Food security:** activities under this programme have been an integral part of EC assistance in the past and will continue to be so. The risk of future food security problems in Afghanistan – caused by drought, conflict, or other crises – makes it imperative that resources are available for avoiding or alleviating food shortages. This programme will directly complement the rural livelihoods programme which is a priority sector of the CSP.
- **Democracy and human rights:** activities under this programme will complement programmes which are focused on the rule of law and justice. There could also be scope to support future election activities as and when appropriate.
- **Migration and Asylum:** this programme could complement actions under the Regional Cooperation programme particularly in supporting Afghanistan and neighbouring countries in ensuring better management of migratory flows, be this in facilitating necessary labour migration within the region or countering other forms of illegal migration. The emphasis should be on fostering the linkage between migration and development.
- **Investing in people:** this programme could be accessed to build on interventions under the basic health programme of the CSP, in particular in confronting the major communicable diseases such as HIV/AIDS. Moreover, the programme could be used to extend the vocational and tertiary education elements of the CSP, highlighted for example in the social protection programme.

These thematic activities are complementary to the strategic objectives pursued by the Commission under the CSP and form part of the ongoing policy dialogue with the Government of Afghanistan. The EC's assistance programme in Afghanistan could also include support under the new **Stability Instrument**.

In the case of the **food security programme**, the Commission has already provided substantial assistance to Afghanistan during the period of the last CSP, with a total of €10 million for food

security up to 2006. The continuation of this programme reaffirms the EC's commitment to the central element of the **Millennium Development Goals** – to reduce poverty and hunger. Moreover, food security is one of the focal areas of the EU's **Development Policy Statement** and assistance under this thematic programme will continue to serve as a key instrument for implementation of EC policy in this area.

It should be noted that the financing of these thematic activities will be additional to financial resources provided under the NIP for Afghanistan.

Activities carried out in the field of higher education will be financed within the context of the regional programming for Asia.

EU AND EC COOPERATION OBJECTIVES

1. The EC Treaty Objectives for External Cooperation

The European Commission's development programme in Afghanistan is grounded in the objectives set out in Article 177 of the Treaty of the European Union,⁴ which sets out the following broad objectives for development cooperation:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them.
- The smooth and gradual integration of the developing countries into the world economy.
- The campaign against poverty in the developing countries.

This is tied to the general objective of developing and consolidating democracy and the rule of law, and encouraging respect for human rights and fundamental freedoms. The Treaty also calls for coordination and consultation between the Community and the Member States on their aid programmes.

2. Objectives of the EU as laid down in other applicable documents

The 2001 Communication *Europe and Asia* (Commission Communication COM(2001)469 "[Europe and Asia: A Strategic Framework for enhanced partnerships](#)") further defines the framework, setting out the following 6 objectives: (i) contribute to peace and security in the region and globally, through a broadening of our engagement with the region; (ii) further strengthen our mutual trade and investment flows with the region; (iii) promote the development of the less prosperous countries of the region, addressing the root causes of poverty; (iv) contribute to the protection of human rights and to the spreading of democracy, good governance and the rule of law; (v) build global partnerships and alliances with Asian countries, in appropriate international fora, to help address both the challenges and the opportunities offered by globalisation and to strengthen our joint efforts on global environmental and security issues; (vi) and help strengthen the awareness of Europe in Asia (and vice versa).

3. Speeding up Progress towards the Millennium Development Goals

In its 12 April 2005 Communication on Speeding up Progress towards the Millennium Development Goals,⁵ the Commission takes stock of the EU's contribution to development and identifies the necessary measures to accelerate achievement of the MDGs. The Commission's aims at: (a) setting new intermediate targets for growth in official aid budget by 2010 for both EU and Member States, ultimately achieving the 0.7% target of gross national income (GNI) by 2015; (b) speeding up

⁴ <http://europa.eu.int/abc/obj/treaties/en/entoc05.htm> .

⁵ COM 2005/0132 final.

reforms to improve aid quality; (c) re-evaluating EU's influence on the conditions for development; and (d) ensuring Africa's primacy as the beneficiary of these approaches with a re-renewed impetus of partnership between the two continents. The proposals on Development Financing and Policy Coherence are set out in detail in two other communications. Together, these contribute to the three pillars of sustainable development (economic, social and environmental).

4. Financing for Development and Aid Effectiveness

In its 12 April 2005 Communication on Financing for Development and Aid Effectiveness,⁶ the Commission outlines means of achieving interim targets of increased ODA volumes by 2010 and moving towards the UN target of 0.7% GNI by 2015. It suggests new aid modalities and innovative finance sources, and includes proposals on addressing the remaining post-HIPC debt problem of low income countries. It suggests redefining EU commitment regarding GPG. The main challenge for coordination and harmonisation is the credible implementation of the EU framework and results of the High Level Forum on aid effectiveness and complementarity in aid delivery. Commitment to reforming the international finance system must be strengthened.

5. EU Policy Coherence for Development

In its 12 April 2005 Communication on Policy Coherence for Development,⁷ the Commission defined coherence commitments in the overall framework of the EU sustainable development strategy and identified the following priority areas with high potential for attaining synergies with development policy objectives: trade; environment; security; agriculture and fisheries; social dimension of globalisation, employment and decent work; migration; research and innovation; information society; transport and energy. These commitments were endorsed by the Council (GAERC) on 24 May 2005. The Communication further calls for non-development policies to respect development policy objectives and for development cooperation to also contribute, where possible, to reaching the objectives of other EU policies.

6. The 'European Consensus' on EU Development Policy

At its meeting on 22 November 2005, the General Affairs and External Relations Council adopted the EU Development Policy Statement, also known as "the European Consensus",⁸ endorsed by the European Parliament on 15 December, superseding the development commitments of the Joint Declaration of the Council and European Commission from November 2000. The "European Consensus on Development" provides, for the first time, a common vision that guides the action of the EU, both at its Member States and Community levels, in development cooperation. The Statement identifies the eradication of poverty in the context of sustainable development, including pursuit of the MDGs, as the primary and overarching objective of EU development cooperation. The Statement also emphasises that EU partnership and dialogue with third countries will promote common values of respect for human rights, fundamental freedoms, peace, democracy, good governance, gender equality, the rule of law, solidarity and justice and the EU's commitment to effective multilateralism.

⁶ COM 2005/0133 final.

⁷ COM2005/0134 final.

⁸ Joint Statement on European Union Development Policy 'the European Consensus', Council of the European Union, 14820/05.

The priorities of the 'European Consensus' are supported by a number of subject-specific communications, including the 2001 Communication on the Programme of Action for the mainstreaming of gender equality in Community development cooperation, the 2002 Communication 'Trade and development: assisting developing countries to benefit from trade', the 2003 Communication on Governance and Development and the Sixth Environmental Action Plan (Com (2001) 31, the Communication on "Fighting Rural Poverty" (COM 2002, 429) and the EU Guidelines to support land policy design and reform processes in developing countries (COM (2004) 686).

7. UN Summit conclusions 2005

The importance of strengthening the social dimension of globalisation and of promoting productive employment and decent work opportunities was highlighted in §47 of the **UN Summit conclusions of September 2005** regarding human and social development. UN member states committed themselves in particular to "*strongly support fair globalisation and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the MDGs.*"

COUNTRY FACT FILE: AFGHANISTAN

1. Introductory statement

Afghanistan is one of the least advanced economies in the world and appears close to the bottom of human development statistics. The country is recovering slowly from 23 years of war and its new political institutions will need time to take root. The Government is trying to extend its writ to all areas of the country, but the security situation remains volatile and government authority in some provinces is very weak, notably in the south. The population is estimated to be around 29 million, approximately 20% of whom live in cities. Official trade figures make the EU the 2nd trading partner of Afghanistan after Pakistan, but most cross-border trade remains informal and unaccounted for.

Afghanistan and the international community agreed in November 2001 at the Bonn conference on a process to establish a democratic political system in Afghanistan. The parliamentary and provincial elections in September 2005 were the last steps in this process. In January 2006, at the London Conference, the Government of Afghanistan and its international partners endorsed a new basis for their cooperation, the 'Kabul Compact', outlining the next steps in their cooperation towards economic development and political stabilisation in the country. The Government of Afghanistan also presented its interim Afghanistan National Development Strategy (i-ANDS) which provides a detailed framework for development activities over the next five years.

Since the fall of the Taliban at the end of 2001, the country has been attracting massive development aid from all major donors. On the basis of pledges made at the Tokyo conference, Afghanistan was expected to receive a yearly USD 1 billion of aid over the 2002-2006 period. The EU pledged over 45% of the total amount (USD 2.3 billion, including USD 1 billion from the European Commission). At the Berlin Conference in the spring of 2004, the international community pledged a total of USD 8.3 billion over the next three years, which represented a significant increase over the Tokyo pledges. The London Conference in January 2006 recorded some USD 10.5 billion in pledges from international donors for the new phase of Afghanistan's development.

2. Current issues between EU and Afghanistan

There are no unresolved disputes between the EU and Afghanistan. EU key concerns are:

- as its over-arching objective, supporting the implementation of the Kabul Compact and i-ANDS as part of the ongoing transition process towards a stable and developing Afghanistan ;
- ensuring respect of basic human rights, particularly women's;
- controlling poppy production and reducing heroin exports to the EU;
- ensuring steady repatriation of refugees living in the EU .

3. Basic data

| | |
|--|---------------------|
| Population | c. 29 million |
| GDP/capita (IMF, 2005) | USD 253 per capita |
| EU exports to Afg. (2004) ⁹ | €300 million |
| EU imports from Afg. (2004) | €200 million |
| EC dev assistance (2005) | €192.8 million |
| EC humanitarian aid (2004) | €35 million |
| EU dev assistance (2002-05) | €800 million |
| Illiteracy rate (UNDP, 2003) | 86% female/57% male |
| Life expectancy (UNDP, 2002) | 44.5 years |
| Proportion of the population living on less than USD 2 per day | 70% (UNDP, 2001) |
| Human Development Index (UNDP 2002) | n/a |

4. Indicators related to the Millennium Declaration

| Indicators ¹⁰ | |
|--|-----------------|
| 1. Proportion of population below USD 1 per day | n/a |
| 2. Prevalence of underweight children (under-five years of age) (2002) | 41% |
| 3. Under-five mortality rate per 1000 children (2003) | 230 |
| 4. Net enrolment ratio in primary education (2003) | 54% |
| 5. Primary Completion Rate | n/a |
| 6. Ratio boys to girls in primary, secondary and tertiary education (2003) | 0.6, 0.33, 0.21 |
| 7. Proportion of births attended by skilled health personnel (2002) | 14.3% |
| 8. Proportion of 1 year old children immunised against measles (2003) | 75% |
| 9. HIV prevalence among 15-24 year old pregnant women | n/a |
| 10. Population with sustainable access to an improved water source (2003) | 23% |

The status of the country as to the likely achievement of the Millennium Development Goals at a glance

In October 2006, *United Nations Economic and Social Commission for Asia and the Pacific UNESCAP*, the *United Nations Development Programme UNDP* and the *Asian Development Bank ADP* have issued a report “Millennium Development Goals: Progress in Asia and the Pacific 2006”. This report is the latest update on the progress towards MDGs in Asia and the Pacific. It highlights the region's achievements and exposes issues on which much work remains to be done. The report looks in a more holistic way at overall country progress by assessing absolute MDG indicators in addition to MDG targets.

The report classifies the progress made by each country into 4 categories

⁹ Source: DG TRADE data base.

¹⁰ Source: UNDP Afghanistan's Millennium Development Goals Report 2005.

- *Early achiever* — Has already met the target
- ▲ *On track* — Expected to hit the target by 2015
- *Off track – Slow* — Expected to hit the target, but after 2015
- ▼ *Off track – Regressing* — Slipping backwards, or stagnating

| Goal | 1 | 2 | 3 | 4 | 6 | 7 |
|-------------|---|---|---------------------------------------|--|--|--|
| | \$1/day poverty Underweight children Primary enrolment Reaching grade 5 Primary completion rate | Gender primary Gender secondary Gender tertiary | Under-5 mortality Infant mortality | HIV prevalence TBC prevalence TBC death rate | Forest cover Protected area CO ₂ emissions ODP CFC consumption | Water urban Water rural Sanitation urban Sanitation rural |
| Afghanistan | ▲ | ■ ▼ ▼ | ■ ■ | ▲ ● ● | ▼ ▲ ● ● ● | ▲ ● ● ● ▲ ● ▲ |

5. Political situation

The Islamic Republic of Afghanistan was established by the Constitutional Loya Jirga in December 2003. It followed the Afghan Transitional Authority, which had been established after the fall of the Taliban. In October 2004 President Karzai was elected president of the IRA.

Significant challenges remain for the Afghan government. The emerging political system has gained a relatively high degree of legitimacy among the Afghan electorate, but still needs time to take firm root.

The security situation remains tenuous. Threats from insurgents or warlords, who want to overthrow or control the government, are still very present in parts of the country. But emerging new threats related to the narcotics economy and organised crime are also increasingly hindering the reconstruction and stabilisation process.

6. Economic situation

Economic recovery is at its initial stage. The vast majority of Afghans are surviving on subsistence agriculture and informal trade. The country’s private sector is still unable to attract significant foreign direct investment, owing to a volatile security and still fragile economic institutional framework.

Afghanistan is entitled to benefit from the EU’s “Everything but Arms” initiative which gives least developed countries duty and quota free access to the EU market for all products except arms. However, Afghanistan has so far not taken much advantage of this trade opportunity. Reasons could be simply a lack of goods that are of interest to the EU market and, in sectors where such goods are

available, difficulty meeting safety requirements and other technical standards applied in the EU market.

| | Country | Region | | Country | Region |
|---|---------|--------|---|---------|--------|
| Growth of GDP (2005) % | 8,0% | 3,7 | Exports/GDP % | N/A | 39,6 |
| Investment/GDP (2005) % | 38,8% | 20,3 | Imports/GDP % | N/A | 41,0 |
| Gen. Gov. Exp/GDP % | N/A | 15 | Foreign Direct Investment USD million | N/A | 637 |
| Gen. Gov. surplus/deficit ./GDP % | +/- 0% | -7,8 | Rate of Inflation (2005) % | 16,3 | 3,6 |
| Gen. Gov. Expenditure on Social Sectors/GDP % | N/A | 6,6 | Rate of unemployment % | N/A | 7,1 |
| Total Debt service/GDP | +/- 0% | 18,4 | % of population living on less than 2 \$ day (2001) | 70 | 34,9 |

Regional averages have been calculated on the availability of data (i.e. different numbers of countries have been used to calculate 2001 figures). FDI average excludes China. Source of information on Afghanistan: IMF 2005.

7. Relations with the EU: legal framework, statements, policies and agreements

The EU had no diplomatic relations with the former Taliban regime. Humanitarian aid and support to refugees and uprooted people were provided from Peshawar (Pakistan) where the EC had a cooperation office.

Diplomatic relations started with the fall of the Taliban in December 2001 and most Member States re-opened their embassies and representation offices during Spring 2002. In November 2005 Afghanistan and the EU signed a Joint Declaration in which they agreed on principles for future common activities and established an informal framework for future cooperation, including annual meetings at ministerial level.

Policy statements

The EU's policy towards Afghanistan is part of its wider commitment against terrorism (General Affairs and External Relations Council conclusions of 8-9, 17, 29-30 Oct 2001). It was spelled out in the conclusions of the Laeken European Council (15-16 Dec 2001) and further detailed during several GAERC meetings in 2001 (19-20 Nov and 10 Dec), 2002 (28 Jan, 15 Apr, 22 Jul and 10 Dec) and 2004 (13 December) and 2005 (12 December).

The Council also appointed Klaus-Peter Klaiber as EU Special Representative for Afghanistan from January to June 2002 (GAERC conclusions 10 Dec 01). He was replaced by Francesc Vendrell in July 2002 (GAERC 17 June 2002), who holds this post still in 2006.

Specific policy decisions

There are as yet no sectoral agreements (trade, fisheries, justice and home affairs, research, etc.) between the EU and Afghanistan.

The 28-29 Nov 2002 Home Affairs Council approved a Return Plan for Afghanistan (ref. 14654/02, MIGR 124, RELEX 148).

Development

Minister of Finance Ashraf Ghani and Commissioner Patten signed a Memorandum of Understanding on the National Indicative Programme 2003-04 in Brussels on 17 March 2003.

8. Member States and EC cooperation with Afghanistan

EU Member States have been instrumental in stabilising the security situation. The overwhelming majority of the 5,000 troops of the International Security Assistance Force (ISAF) stationed in Kabul are soldiers from Member States and applicant countries, particularly Germany, Italy, the Netherlands, Turkey and France. European countries have provided the command for ISAF most of the time (in chronological order UK, Turkey, Germany, the Netherlands and Italy). France and the UK have also been involved in the training of the new Afghan National Army (ANA) together with the United States.

Germany, the UK and Italy have all taken a high profile in the reconstruction exercise, especially as lead nations on respectively police reform, drug control and judicial reform. The Netherlands was also one of the largest donors in 2002 and remains one of the largest donors to the Afghan Reconstruction Trust Fund (ARTF) together with the UK.

Of the Tokyo total, €1 billion was provisionally pledged by the European Commission over five years – averaging some €200 million per year. In 2002, the European Commission exceeded its Tokyo pledge, providing €280 million to help Afghanistan meet its reconstruction and humanitarian needs. In the years since 2002, the EC continued to commit funding of about €200 million per year and is on track for realising its original €1 billion pledge by the end of 2006.

Development cooperation between the EC and Afghanistan is guided by the Country Strategy Paper for the period 2002-2006, approved by the Commission in December 2002. The Country Strategy Paper reflects the priorities identified in the National Development Framework and the October 2002 Development Budget, as well as focusing on those sectors where the European Commission has expertise.

Since the end of 2002, cooperation between Afghanistan and donor countries has taken place within a Consultative Group (CG) framework. The structure is broken down into 14 consultative groups, 3 working groups and 5 advisory groups. The EC acts as co-chair in 3 CGs: public sector reform, health, rural livelihoods and social protection.

9. Other major international players in Afghanistan

The US is by far the main foreign actor in Afghanistan. US military operations were instrumental in ousting the Taliban and the influence of the Department of State and of the US military remains considerable. The US remains very involved:

- militarily, with an estimated 16,000 men on the ground and a project to deploy civil-military Provincial Reconstruction Teams throughout the country;
- politically, as main outside backing for President Karzai and driving force behind the training of the new Afghan national army;
- financially as the largest international donor;

Russia, Iran and Pakistan remain active in the country, diplomatically and economically.

The UN also plays a prominent role in the reconstruction of the country, through its various development agencies, as well as having the primary role in oversight of the ‘Afghanistan Compact’.

OVERVIEW OF PAST EC COOPERATION

Total EC grants to Afghanistan 1998–2005

| | 1998-1999 | 2000-2001 | 2002 | 2003 | 2004 | 2005 |
|------------------|------------------|------------------|---------------|---------------|---------------|---------------|
| AUP | 39.87 | 42.10 | 24.00 | | | 17.15 |
| ALA | | | 127.50 | 209 | 183 | 166.14 |
| Landmines | | 2.20 | | 2.00 | | |
| Asia Wide Progr. | | | | 0.67 | | 0.49 |
| RRM | | 4.32 | 6.91 | | | |
| Food Security | | | 31.53 | 30.26 | 23.00 | 15.00 |
| JLS | | | 3.88 | 7.00 | | |
| ECHO | n/a | n/a | 73.00 | 45.00 | 35.00 | 20.00 |
| Total | | | 266.82 | 293.93 | 241.00 | 218.78 |

Country Environmental Profile

Afghanistan is a landlocked country bordered by Iran to the west, Turkmenistan, Uzbekistan, Tajikistan and China to the north and northeast, and by Pakistan to the east and south. Afghanistan's size roughly equals France plus the Benelux countries.

Two thirds of Afghanistan is mountainous, the highest peaks reaching more than 7,000 metres. These mountains are young, and tectonic activity produces frequent, mostly mild, earthquakes. Some, though, have been disastrous and have produced widespread damage: since 1985 more than 10 quakes with magnitudes above 6 have been recorded. The country is also recurrently hit by landslides, avalanches, sandstorms and floods making Afghanistan one of the most disaster-prone regions in the world, where disasters have the potential to cause widespread loss of life, or at least considerable destruction of livelihoods and property.

Extreme winter is another phenomenon having a large scale impact in Afghanistan due to very low coping capacities. The climate is arid and continental, with relatively cool winters and hot summers. Arable land comprises 15% of the country and is mostly located within the mayor valleys of the Amu Darya, Helmand, Harirud and Kabul rivers. Water resources of these rivers are harnessed for irrigation and hydropower generation. Because of seasonal high variable flow, the potential for expansion is, however, limited. From 1997 to 2004, Afghanistan experienced a prolonged drought, coupled with temperatures above average. Severe water shortages and crop losses resulted. The winter of 2004/05 was, in contrast, unusually cold and wet. Rising temperatures and rain have in the past resulted in widespread flooding as the natural retention capacity of watersheds is severely deleted by deforestation and overgrazing.

The long term sustainability of economic growth will depend in part on the country's ability to adapt to this kind of climate change. Mitigation and adaptation measures need to be taken into consideration by the Government and donors alike. With regard to the Hyogo Framework for Action, 2005-2015, it is clear that Disaster Risk Reduction should be mainstreamed in the support given to the country and resources made available. Some efforts could be done in the area of rural development and support to local government for example.

Besides the natural climate, decades of conflict and disinvestment have also made the environmental situation in much of Afghanistan, in particular within the cities, extremely hazardous. In 2000, the irrigation, power generation, transport and public service infrastructure were either heavily damaged, decayed, dysfunctional or non-existent. Although international donors support Afghanistan's reconstruction, the sheer scale of the reconstruction effort is huge and under-funded. So far, only 12-25% of the population has access to adequate sanitation, and only between 11-20% can access safe water. Consequently, the incidence of waterborne diseases is very high and 1 out of 4 children dies before the age of 5.

Being a rural based economy, the country urgently needs to improve the productivity of its agricultural sector, which suffers from water scarcity, soil erosion and desertification. Residuals of warfare still render productive land inaccessible. Forests, which play an important role in

maintaining the retention capacity of watersheds and mitigating climatic fluctuations, have been destroyed. Logging for construction, firewood and for security reasons has reduced forest cover from around 4.5% during the 1970s to between 1 and 2% today.

Afghanistan's biodiversity is hence threatened. Although there were certainly impacts before the conflicts, natural resources were never damaged to the extent occurring during the last two decades. The IUCN lists 75 species of animals and plants as threatened, and 35 animal species are either vulnerable or endangered. Efforts to set up protected areas date back to the 1970s, but stopped during the years of conflict. Today, only around 0.3% of the country is formally protected. The lack of enforcement of protection status endangers unique species such as the 'Marco Polo sheep' and the snow leopard. Currently, the idea of creating a trans-border Peace Park in the Pamir region is being discussed.

Afghanistan's total primary energy supply still relies 85-97% on fuel wood. Electricity is generated from rehabilitated hydropower stations, diesel powered plants and a myriad of mobile generators. Afghanistan has substantial natural gas resources and coal.

Environmental policy is in a nascent state. Environmental policy objectives have been formulated by international agencies in cooperation with the former Interim Administration and the current Government. Four key areas have been identified as Afghanistan's most pressing needs in the environmental sector, namely:

- capacity building and institutional development,
- ecosystem and biodiversity conservation and management, including the combating of deforestation,
- integrated pollution control and
- private sector investment in the environment sector.

Given the vast scale of environmentally related issues to be addressed in Afghanistan, recommendations for priority actions can only be general in nature. During the forthcoming years, emergencies related to environmental impacts may arise which will require urgent attention. Resources for such ad hoc interventions should be planned for in the future.

Current environmental problems are most visible in the urban areas. Because of collapsed rural livelihoods, migration into Afghanistan's cities is likely to continue. Urban service delivery, management and administration will have to bare additional strains. Improving urban services, in particular water, sanitation and waste collection for the poor, should be supported, together with interventions designed to improve the disastrous urban air quality. Related city planning and development efforts need a reliable database. The reconstruction of adequate measurement networks and laboratories plays a vital role.

In rural areas, agricultural development has been neglected for more than two decades. Under arid conditions, community-based watershed management is a starting point for improving agricultural productivity. In this context, the Government's objective of establishing hubs of economic growth organically linked to rural production warrants support.

ANNEX 5

Afghanistan - Commitments 2004
Key donors
(in million euros)

| | 110 | 120 | 130 | 140 | 150 | 160 | 210 | 220 | 230 | 240 | 250 | 310 | 320 | 330 | 410 | 420 | 430 | 510 | 520 | 530 | 600 | 710 | 720 | 920 | Total | |
|--------------|-------|-------|------|-------|--------|-------|--------|-------|------|-------|--------|-------|------|------|------|------|-------|-------|-------|------|------|-------|------|------|-----------------|---------------|
| Belgium | | | | | 4.50 | | | | | | | | | | | 0.50 | | | | | | | | | | 5.00 |
| Denmark | 4.73 | | | | 6.26 | | | | | | | 0.20 | | | | 0.27 | | | | | | | 8.06 | 3.86 | | 23.38 |
| Finland | | | 0.35 | | 5.99 | | | | | | | | | | | | | | | | | | 2.87 | 0.71 | | 9.92 |
| France | 4.00 | 1.50 | | | 3.50 | | | | 1.50 | | | 8.0 | | | | | | | | | | | 2.10 | 1.20 | | 21.80 |
| Germany | 4.16 | 0.94 | | 12.30 | 34.95 | 8.23 | | | | 5.50 | 11.75 | 6.82 | | | | 2.50 | | | | | | | 8.61 | | | 95.76 |
| Italy | | | | | 18.86 | 11.13 | 7.40 | | | | | | | | | | | | | | | | | | | 37.39 |
| Sweden | 10.00 | 4.00 | | | 20.00 | 2.00 | | 5.00 | | | | | | | | | | | | | | | | 2.00 | | 43.00 |
| Netherl. | | | | | 41.00 | 0.89 | | | | | | | | | | | | | | | | | 7.00 | | | 48.89 |
| U. K. | | 0.16 | | | 133.00 | | | | 3.00 | | | | 0.01 | | | | | | | | | | 8.20 | 0.44 | | 144.81 |
| E. C. | | 23.00 | | | 74.70 | 24.65 | | 18.00 | | | | | | | | | 42.65 | | | | | | | | | 183.00 |
| World Bank | | | | 40.00 | 126.00 | | | 22.00 | | | 105.00 | | | | | | | | | | | | | | | 293.00 |
| US | 73.65 | 63.62 | 0.00 | 22.05 | 223.26 | 41.73 | 266.13 | 10.87 | 0.00 | 22.20 | 60.94 | 38.28 | 6.51 | 0.00 | 1.61 | 4.21 | 0.00 | 12.25 | 21.44 | 0.00 | 0.00 | 16.23 | 0.00 | 0.00 | | 884.99 |
| Total | | | | | | | | | | | | | | | | | | | | | | | | | 1,307.90 | |

| | | | |
|-----|----------------------------------|-----|---------------------------------|
| 110 | Education | 320 | Industry, Mining & construction |
| 120 | Health | 330 | Trade & Tourism |
| 130 | Population & Reproductive Health | 410 | Environmental protection |
| 140 | Water supply & sanitation | 420 | Women in development |
| 150 | Government and Civil Society | 430 | Urban and rural development |
| 160 | Other Social Services | 510 | Programme assistance |
| 210 | Transport and Storage | 520 | Food Aid |
| 220 | Communication | 530 | Commodity assistance |
| 230 | Banking and Financing Services | 600 | Debt relief |
| 240 | Business & Private sector | 710 | Relief food aid |
| 250 | Energy | 720 | Emergency assistance |
| 310 | Agriculture, forestry & fishing | 920 | Support to NGOs |

ANNEX 7

LIST OF ABBREVIATIONS

| | |
|--------|--|
| i-ANDS | interim Afghanistan National Development Strategy |
| ADB | Asian Development Bank |
| AKDN | Aga Khan Development Network |
| ALA | Asia Latin America Regulation |
| ANDS | Afghan National Development Strategy |
| AUP | Aid to Uprooted People |
| BPHS | Basic Package of Health Services |
| CG | Consultative Group |
| CIDA | Canadian International Development Agency |
| CDAP | Comprehensive Disability Afghanistan Programme |
| CNTF | Counter Narcotics Trust Fund |
| CSP | Country Strategy Paper |
| DFID | Department for International Development |
| ECHO | European Community Humanitarian Office |
| ECO | Economic Cooperation Organisation |
| EPHS | Essential Package of Hospital Services |
| EPAP | Emergency Public Administration Program |
| ERW | Explosive remnants of war |
| IARCSC | Independent Administrative Reform and Civil Service Commission |
| IDP | Internally Displaced Person |
| IRA | Islamic Republic of Afghanistan |
| GDP | Gross Domestic Product |
| GTZ | Gesellschaft fuer Technische Zusammenarbeit |
| IDP | Internally Displaced Persons |
| IOM | International Organisation for Migration |
| JLS | Justice, Liberty, Security Budget Line |
| MAAHF | Ministry of Agriculture, Animal Husbandry and Food |
| MACG | Mine Action Consultative Group |
| MAPA | Mine Action Programme for Afghanistan |
| MCN | Ministry of Counter Narcotics |
| MDGs | Millennium Development Goals |
| MoPH | Ministry of Public Health |
| NDF | National Development Framework |
| NEEP | National Emergency Employment Programme |
| NGO | Non-Governmental Organisation |
| NIP | National Indicative Program |
| NSP | National Solidarity Program |
| NWFP | North Western Frontier Province |
| PAL | Program for Alternative Livelihood |
| PAR | Public Administration Reform |
| PRSP | Poverty Reduction Strategy Program |
| RRM | Rapid Reaction Mechanism |

| | |
|--------|--|
| RTA | Radio and Television Afghanistan |
| SAARC | South Asian Association for Regional Cooperation |
| SAF | Securing Afghanistan's Future |
| SIDA | Swedish International Development Agency |
| SALW | Small Arms and Light Weapons |
| SWAP | Sector Wide Approach |
| UNDP | United Nations Development Program |
| UNHCR | United Nations High Commissioner for Refugees |
| UNICEF | United Nations International Children and Education Fund |
| UNMACA | UN Mine Action Centre for Afghanistan |
| UNODC | United Nations Office for Drug Control |
| USAID | United States Agency for International Development |
| WTO | World Trade Organisation |