

**Conclusions of the Mid-Term Review of the Country Strategy
Paper for Afghanistan (2007-13)**

and

Multiannual Indicative Programme 2011-13

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LIST OF ABBREVIATIONS AND ACRONYMS

ANDS	Afghanistan National Development Strategy
BPHS	Basic Package of Health Services
CSP	Country Strategy Paper
DFID	Department for International Development
ECO	Economic Cooperation Organisation
EOM	Election Observation Mission
ERW	Explosive Remnants of War
IDLG	Independent Directorate on Local Governance
IARCSC	Independent Administrative Reform and Civil Service Commission
IDP	Internally Displaced Person
GoA	Government of Afghanistan
GTZ	Gesellschaft fuer Technische Zusammenarbeit
MAPA	Mine Action Programme for Afghanistan
MAIL	Ministry of Agriculture, Irrigation and Livestock
MRRD	Ministry of Reconstruction and Rural Development
MoPH	Ministry of Public Health
MIP	Multiannual Indicative Programme
MTR	Mid Term Review
NGO	Non-Governmental Organisation
NSP	National Solidarity Programme
PRSP	Poverty Reduction Strategy Programme
SAARC	South Asian Association for Regional Cooperation
SWAP	Sector Wide Approach
UNDP	United Nations Development Programme

1. PART I – EXECUTIVE SUMMARY

The Commission decided to align the timing of the mid-term review exercise to the **Kabul Conference** which took place on 20th July 2010. This has enabled a continued dialogue with the Afghan Government up to and following the Conference.

This CSP Mid-Term Review (MTR) has taken into account the results of the Kabul Conference. The MTR has also been closely aligned with the review of EU engagement in Afghanistan (and Pakistan) which proceeded under the guidance of the EU Presidency last year. The outcome of this latter review was agreement to a new **Plan for Strengthening EU Action in Afghanistan and Pakistan (the ‘EU Action Plan’)**, which identified areas for more strategic overall EU engagement and co-ordination in both countries. The aim is for better alignment of EU programmes and resources in key sectors, covering both European Commission (EC) managed assistance and Member States’ bilateral assistance.

The political, economic and social developments that have taken place in Afghanistan in the last three years as well as the reinforced commitment from the EU to strengthen the rule of law and governance in the country confirm the validity of the CSP 2007-2013. They have, in turn, allowed the Commission to review, update and better focus the priorities of its future development cooperation with Afghanistan under the MIP 2011-2013.

Recent **international conferences on Afghanistan** in London (January 2010) and Kabul (July 2010) have reaffirmed development challenges and priorities of the country. Moreover, the Kabul Conference underlined the importance of the Government of Afghanistan now taking a greater lead in all areas of its development, governance and security, with the international community supporting it in this process. Key priorities to achieving this will be fostering greater Afghan ownership (‘Afghanisation’) including responsibility and accountability of the Government towards the people; building up sub-national governance and the rural economy; strengthening rule of law and fighting corruption. All these priorities are at the centre of the current EU strategy and Action Plan in Afghanistan.

Afghanistan’s **presidential elections** in August 2009 took place in the context of a fragile democratic progress. Initially, the country had set out on an energetic pace to establish state institutions following the first presidential and parliamentary elections in 2004 and 2005, respectively. Since then, the **growing insurgency** has put pressure on Afghanistan’s democratic process. This was reflected in the electoral process, which suffered from both low turnout and significant fraud in parts of the country.

Progress across other sectors in Afghanistan in the last few years has been mixed. For the security sector, there has been progress in Afghanistan’s National Army but the civilian police and justice institutions are lagging behind – highlighting the need for accelerating the pace of reforms and for more strategic, sector-oriented EU support. Given slow progress on civil service reform and overall institutional weakness, corruption has

become pervasive, providing fertile ground for Afghanistan's dependence on the drugs economy.

Similarly, little progress has been made to facilitate private sector development and private investment, much needed to provide for economic growth and sustainable employment. In the health sector there have been achievements and the EU has been a prime donor here. That said, Afghanistan is still amongst countries with unacceptably high infant mortality and child-birth-related mortality of women. Social, political and economic advancement of women remains extremely slow.

In view of the above, it is therefore proposed to enhance the strategic focus and allocations in the MIP in respect of the three focal sectors (rural development; governance and rule of law; health & social protection) as well as for regional cooperation (non focal sector). This should allow better deployment of resources under the MIP 2011-13 as well as afford greater EU coordination and joint action, in line with the EU Action Plan.

In the rural development sector, the new MIP will aim to adopt a more integrated rural development approach with emphasis on strengthening local governance structures. Support to rural development will encompass alternative livelihoods, diversification of the rural economy and enhancing the role of the private sector. In governance and rule of law, and in health and social protection, EU support will seek to focus more on reform and institution building accompanied by a stronger policy dialogue. There will also be greater emphasis on the regional dynamic, in particular Afghanistan's relations with Pakistan and Central Asia addressing the need for more practical cooperation at regional level.

Finally, it is proposed to reinforce **cross-cutting themes** such as gender and children's rights, capacity building and sub-national governance. More specifically, policies in the area of counter-narcotics and disaster risk reduction will also be pursued where relevant. Throughout, the approach of the EU will be to support the Afghan Government and other Afghan stakeholders in pursuit of key MDGs, especially in poverty reduction, health and gender.

In summary, the MIP 2011-13 is designed to reinforce key areas of the EU Action Plan and in doing so, support some of the priorities and programmes that have come from the Kabul Conference, including for example new national programmes in rural development, agriculture and governance. The aim throughout will be to support the Afghan Government in following through on the commitments it made at Kabul in July, namely to *“achieve meaningful improvements in the lives of Afghan citizens through more effective delivery of services, provision of equitable economic opportunities and achievement of national stability”*.

New Multiannual Indicative Programme 2011-13 compared to 2007-10

The indicative financial allocation for the 2011– 2013 period is EUR 600 million (as compared to EUR 610 million for the period 2007-2010), an increase of over 30% per year. Taking into account the lessons learned during the MIP 2007-10 and recent important developments, on Government side (Kabul Conference process) as well as on EU side (EU Action Plan), the indicative breakdown of funding into focal and non-focal sectors is as follows:

	Allocation 2007-10		Allocation 2011-13
Focal sectors		Focal sectors	
Rural development	30%	Rural Development (including mine action)	35-40%
Governance & Rule of Law	40%	Governance & Rule of Law	35-40%
Health	20%	Health and Social Protection	18-21%
Non-focal sectors		Non-focal sectors	
<i>Regional Cooperation</i>	10%	<i>Regional Cooperation</i>	2-4%
<i>Social Protection</i>			
<i>Mine action</i>			

The non-focal sectors section for the new period 2011-13 has now only regional co-operation, with mine action absorbed within the focal sector of rural development and health and social protection linked as one focal social sector.

2. PART II - CONCLUSIONS OF THE MTR PROCESS

2.1. Political, economic, social, and environmental situation

The **political situation** has become increasingly challenging since 2006. The functioning of the government and representative institutions, although relatively stable and gradually evolving, has widely been perceived among the Afghan public and the international community as disappointing and ineffective in not having fulfilled the high expectations raised during the post-Taliban transitional period and reinforced in subsequent high-level international conferences. The eventual impact of the reform package announced at the Kabul Conference in July 2010 remains to be seen.

Deteriorating **security** is the overarching factor that hampers the establishment and expansion of basic public services in progressively larger parts of the country. The systematic outreach of the international military forces from early 2006, in particular in the south and east initially intended to deal with remnants of insurgents, has been met with a growing remobilisation behind the Taliban cause. Where military superiority is achieved in areas, it is often not matched by sufficient local capacity in governance and law enforcement to ensure lasting peace and sustained political and economic integration. This situation poses a severe challenge to the time frame of international stakeholders and their priorities in the fight against terrorism and control of narcotics. The US review of military engagement in Afghanistan, in December 2009, which committed an extra 30000 US troops, reflected the need for a surge in military engagement, albeit with an 18-month time-line.

Following the International Conference on Afghanistan in March 2009 in The Hague, the new vigour in international military operations has been matched by a civilian 'surge' in terms of increased assistance to governance at both national and sub-national levels.

Presidential and Provincial Council **elections** took place for the second time in August 2009, this time directly managed by the Afghan-led Independent Election Commission. Turn-out was significantly lower than in 2004/05, due to poor security, but it was an important indication of reduced public interest (and disapproval of the incumbent government). Reports of widespread fraud necessitated an extensive re-count. In the end a second round of elections did not take place, due to the opposition candidate withdrawing; President Karzai was sworn in on 19 November 2009.

On 18 September 2010, the Parliamentary Elections were held in Afghanistan. Election day was marked by a significant number of security incidents. There have been early indications of fraud throughout the country and in many places low turnout. Final results are expected in November.

The government has at times given little attention to **human rights**, with no progress on transitional justice, and slippages on issues related to women's rights and freedom of expression. Increased **corruption**, in particular abuse of power and tacit involvement in the narcotics trade among the ranks of the poorly functioning police and justice system, have been highly detrimental to public perceptions of the government's legitimacy.

With recognition of the **regional dimension**, in particular as regards Pakistan, there is a growing international consensus on how to realise concrete improvements in cooperation on economic and trade issues between Afghanistan and its neighbours in South and Central Asia. A number of regional fora, for example the Regional Economic Cooperation Conference on Afghanistan (RECCA), seek to foster regional links in trade and transit as well as border cooperation. But progress in many aspects is slow, although a trade and transit agreement between Afghanistan and Pakistan was agreed in July 2010 and there has also been some fruitful cooperation in the area of border controls, for example in stemming the flow of drug precursors.

In the area of **counter-narcotics**, a number of regional programmes, including under the UNODC, are targeting the flow of precursors into Afghanistan from Central Asia, Iran and Pakistan as well as the strengthening of regional drugs control networks, utilising existing regional structures such as the Economic Cooperation Organisation based in Iran. These regional initiatives cover not only Afghanistan and Pakistan but also the Central Asian countries (Tajikistan, Kazakhstan, Kyrgyzstan, Uzbekistan, and Turkmenistan) as well as Azerbaijan and Turkey. Such regional counter-narcotics programmes remain a priority for EU funding, both in terms of achieving greater regional stability and also in view of the fact that more than 90% of heroin in Europe originates in Afghanistan.

With the global crisis having comparatively little local impact, the **economic prospects** for Afghanistan appear less gloomy than expected following the setback in 2008. Economic growth has picked up from an exceptionally low 3.4% in 2008 caused by a low, drought-affected wheat harvest and a steep rise in fuel and food prices. Growth is highly likely to rebound in 2009-10, mainly due to improved performance in agriculture. The recent floods in Pakistan may nevertheless reduce the initial forecast of 10% growth for 2010/2011 with an expected negative impact on imported food prices. As agriculture accounts for a third of the GDP (excluding the illicit drug economy), adverse weather conditions have an immediate impact on overall economic performance. The currency exchange rate is closely tied to the US\$ and remains stable at around 48-50 Afghani. Official exports, starting from a very low base, show healthy growth and are estimated at €464 million, but imports are 14 times as high (€64 billion in 2008-09), increasing the trade deficit from €4.60 billion to €5.2 billion. Illegal exports — mainly narcotics, including Afghanistan's close to 90% share in the world's illicit opium production — continue to play an important role in the Afghan economy. The opium sector remains Afghanistan's largest source of export earnings (although unrecorded) and a major source of incomes in the rural areas, even if dampening world market prices for heroin and increasing wheat prices are considered significant factors in reducing the area under poppy cultivation. According to IMF estimates, smuggling and unofficial transit trade accounted for over €1.2 billion in 2008/2009.

Raising **domestic revenues**, which presently stand at around 7% of GDP, remains a major concern and a considerable constraint on efforts to increase the national share in public expenditure, which currently amounts to less than 20%. The government has effectively addressed the stagnation in customs revenues and has started an ambitious programme to reform and further build up its fiscal system. However, persistent low

public sector budget execution rates highlight the limits of the Afghan state's capacity and are a growing reason for concern.

Despite the good progress reported in the health and education sectors, Afghanistan ranks 181 out of 182 countries on the Human Development Index for 2009. According to the recently released Poverty Profile (World Bank) the national poverty rate is 36 percent. The country continues to lag far behind its neighbours in basic provision for water and sanitation, while the health status of the population is among the worst in the world. The infant mortality rate alone stands at 151.95 per 1000 live births in 2009, more than twice the figure of neighbouring Pakistan. High fertility rates pose a threat to female health, constraining the sustainability of development programmes in general and hindering the empowerment of women. The gender gap in all dimensions of human and social development (education, labour force participation, decision making within households) continues to pose a challenge to advancing gender equity in Afghan society. Nevertheless, some indicators (e.g. increasing female primary school enrolment, increasing age of women at first marriage) hint at progressive empowerment of women.

Large-scale cross-border movements of **refugees** have come to a halt, with an estimated 5.6 million Afghans having returned since 2002. As many of them live in appalling conditions around the main urban centres, it remains of the utmost importance to continue addressing their reintegration in society. There are a high number of irregular movements to Iran and Pakistan, mostly for economic purposes, and UNHCR is also observing a noticeable increase in Afghans attempting to secure asylum in European countries. Some 2.65 million registered refugees remain in Pakistan and Iran, most having lived in exile for more than 20 years or having been born outside Afghanistan and not intending to move there. It is increasingly recognised that this Afghan labour force is needed in surrounding countries.

The main **environmental threat** continues to be the unsustainable exploitation of land and water by a disproportionately large part of the population because of poverty and lack of economic alternatives. Although the development of agriculture and livestock production has a significant potential to narrow the gap left by three decades of war, it is severely limited by geographical realities, with only 12% of the land area suitable for cultivation, and highly adverse and variable weather conditions. Work on environmental legislation and protection policies is progressing with international support, including from the EU, but the implementation of sustainable natural resource management practices continues to be jeopardized by high population growth, limited education and security risks. Little attention has been given to the possible consequences of climate change. This is impacting the water reserves in the mountains and the productivity of lower lands. Rapid urban population growth, especially in Kabul, is causing growing problems that pose an immediate threat to human health, due to poor waste management, lack of sanitation and safe drinking water, and air pollution.

High dependence on **external aid**, a large part of which is implemented outside the government budget, continues to characterise the Afghan economy. There are around 56 donor agencies in the country¹. The launch of the Afghan National Development Strategy (ANDS) at the Paris Conference in June 2008 has provided a comprehensive

¹ See Annex 3 for matrices of main international donors and EU Member States

programme to mobilise the government and donors. However, after Paris there was still a need for greater prioritisation between sectors. The Kabul Conference in July 2010 focused on transition to Afghan leadership and ownership across key sectors (security, governance and development), the so-called ‘Kabul process’. Moreover, it has led to the design of a first phase of ‘national priority programmes’ in a number of sectors. ‘Clusters’ in agriculture and rural development, human resources development, economic and infrastructure development, and governance have been established within the Government structures which should enable better coordination of donor efforts.

Weak capacity in financial management remains a major constraint and does not currently allow for direct budget support. With the establishment of the clusters and priority programmes prospects for pursuing sector wide approaches have improved. It is still the aspiration of all donors to channel 50% of development assistance through the national budget (including through multi-donor trust funds).

A Joint Coordination and Monitoring Board (JCMB) was set up as part of the Afghanistan Compact, resulting from the London Conference in early 2006. Co-chaired by the government and UNAMA, the JCMB oversees international cooperation efforts. It is supported by standing committees and task forces at sector level facilitated by a UNAMA team set up at the end of 2008 to enhance aid coordination, as requested by the international donor community and the government. Following the Kabul Conference, the JCMB will be restructured and given a stronger focus on monitoring Kabul Process. It nevertheless remains to be seen whether bilateral donors are willing to compromise their need for individual profiling and national caveats mostly linked to military presence in favour of more unified and effective support.

2.2. EU policy context

Since July 2009, a review of the overall EU engagement in Afghanistan and Pakistan has been proceeding under the guidance of the EU Presidency. The aim of this review is to better shape the EU’s approach in the region and to identify areas for enhanced EU engagement. The recommendations of the review — in the form of the **Plan for Strengthening EU Action in Afghanistan and Pakistan** (referred to as the ‘EU Action Plan’) — were endorsed by EU Foreign Ministers on 27 October 2009². The Action Plan provides a policy framework for the EU’s future engagement in Afghanistan and Pakistan, setting out areas for a better alignment of EU approaches and resources, covering European Commission, Common Foreign and Security Policy (CFSP) and Member State assistance.

For Afghanistan, the Action Plan’s recommendations highlight rural development, policing, and justice as areas of priority for further EU commitment — areas already contained in the existing CSP. In addition, new areas are emphasised, in particular sub-national governance and reintegration of former combatants. National capacity building is a cross-cutting theme, both in the Action Plan and in the existing CSP 2007-13. The MTR process has been running in parallel with the finalisation of the Action Plan and has taken on board the recommendations arising from it. In the run up to the Kabul Conference, the

² See http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/110789.pdf

EU reconfirmed the orientations of the MIP 2011-13, following extensive dialogue with key line ministries and the Ministry of Finance.

At operational level, the **context for the delivery of EU assistance** has been changing. In the immediate years after the change in regime, international assistance was provided in a relative vacuum in terms of state structures. Much technical assistance has been provided by donors to contribute to 'state building', but assessments of needs and result-oriented recruitment have often been insufficient. Government has begun to emphasise the need to increase its ownership and coordination of technical cooperation, as reflected in the Kabul Conference communiqué. The government has recently produced a consolidated technical assistance plan, mapping priority needs in technical assistance across state institutions. However, the plan's implementation is still in its very early stages. Technical assistance within EU cooperation is now being designed in line with the EU Backbone Strategy on Technical Cooperation³.

Given the country's continued 'self-insufficiency' and its permanent high vulnerability to adverse climatic conditions or rising food prices on the world market, food security activities will remain necessary for the years to come. The EU funds mitigating measures to increase revenues and access to food as well as to increase agricultural production. Afghanistan has been selected as a beneficiary of the **Food Facility** for an amount of €24 m. As Afghanistan is a landlocked country, it depends on its neighbours for food imports. Proper planning and management of the food supply requires adequate regional production and market information systems, as well as adequate trade and transit agreements with neighbouring countries. This regional approach is currently undeveloped.

2.3. Achievements and lessons learnt

The deteriorating security situation (see section 2.1) has undoubtedly had a significant effect on all donor activities in Afghanistan, including those of the EU. Donors are reassessing the scope and reach of their assistance programmes and the modalities of delivery. However, despite this difficult context, the MIP 2007–10 has been largely rolled out according to schedule and has had an impact in some of its key areas.

Under **rural development**, irrigation facilities for over 150 000 ha of land are being improved. This is accompanied by reinforcement of community-based natural resource management in the north-eastern Panj-Amu River Basin and a new approach to water basin management, which has been extended to national level through the Water Law promulgated in 2009. Efforts are being made to re-establish the national agriculture system, ensuring a rapid increase in high quality output from the seed and fruit tree nursery industry and a functioning nationwide veterinary service. Important support has been given to the preparation of the new National Agricultural Development Framework and the change management process initiated in mid-2009. The EU remains a major partner in the priority investment programmes for community infrastructure and local

³ For a copy of the EU Backbone Strategy on Technical Cooperation see:
http://ec.europa.eu/development/icenter/repository/backbone_strategy_technical_cooperation_en.pdf

development, such as the National Solidarity Programme and National Rural Access Programme, which have been widely acclaimed.

The approach pursued in this MIP will be to reinforce **counter-narcotic efforts** through a range of activities, covering rural development, law enforcement and public health. In the rural development sector, this support will not be through stand-alone alternative livelihoods programmes, which have in the past tried to find effective alternatives to poppy cultivation. Rather, more integrated rural development programmes will be supported, targeting general economic well-being together with strengthened governance and improved delivery of key services.

Assistance from the EU Budget seeks to ensure basic **public health** care for one third of the Afghan population and provides extensive support for administrative reform and capacity building in the Ministry of Public Health (MoPH) at central and provincial levels. The government has adopted a policy of contracting out basic health care service delivery to NGOs, albeit within a well-defined framework and coordinated by the MoPH. This approach has proven to be pragmatic and effective so far in terms of providing basic health services but not in terms of moving to a more institutionally and budgetary sustainable Afghan model. Continued EU support for service delivery under the MIP 2011-13 should therefore be addressed within the context of promoting a sector wide approach with key milestones in institutional reform and Public Finance Management, together with a renewed policy dialogue.

In **police and justice reform**, progress has been slower. There has been progress in improving the transparency of the administration of police salaries, and wider issues are now being addressed regarding the full integration of the Afghan National Police within the national budget and its overall performance and future structure. But more is needed in using support to leverage wider reforms in the police and Ministry of Interior. Similarly, the National Justice Programme is the accepted framework for justice reform, but there is still a need for it to gain momentum: again, progress has been slow due in part to differences in strategic vision between the international community and the Government, as well as limited absorption capacity. In the economic sphere, the completion of **customs facilities** at three of the main border crossings has contributed to a significant improvement in the capacity for revenue collection.

In terms of **lessons learnt**, the biggest challenge to the programme is how to deal with the consequences of a deteriorating security situation and where to redefine interventions appropriately to complement measures to improve stability and promote peace building. It is not the absence of support for development in the districts and provinces but a **lack of governance and the absence of any rule of law** that constitute the main factors that allow both the insurgency and criminal elements to pursue their causes. In the MIP 2007-2010, this reality was correctly identified as the critical factor for stability and reconstruction and was the main reason for a shift in priorities to police and justice reform at national level, an approach that will be maintained for the coming period. However, continued efforts are needed to link and better integrate such support if it is to lead to tangible results at local level. The recent worsening of the situation around Kunduz in the north demonstrates that extensive investment in rural development and health care can be easily jeopardised if not accompanied by adequate measures to guarantee minimum levels of functional governance and rule of law.

Experience, including EU-funded research, has amply demonstrated that in the case of Afghanistan control of the cultivation of illicit crops to produce narcotics is a matter of effective measures to curtail processing and marketing. Specific programmes promoting alternative livelihoods, such as those funded under the multi-donor Counter Narcotics Trust Fund (CNTF), have turned out to be ineffective. Instead, such funding must be fully integrated within mainstream national rural investment programmes, taking into consideration all aspects of local potential and the need to balance development efforts across the country.

In the absence of the minimum preconditions for providing direct budget support to the government, **multi-donor trust funds** such as the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA) will continue to be important instruments for promoting donor alignment, national ownership, and accountability. The EU is channelling a large part of its funding in this manner, aiming to move towards the preconditions for a budget support environment (including the introduction of performance-related indicators and sector-wide approaches). As a major contributor to LOTFA and ARTF⁴, the EU's main concern is being able to influence the international community's dialogue with the Afghan government on a range of matters relating to reforms in the public sector and in key sectors such as the police and judiciary. Leveraging reforms through support for the government's recurrent budget, through the use of trust funds, remains an important element in donor engagement in Afghanistan. Such an approach on the part of donors can provide an effective platform for dialogue with the Afghan government in terms of taking forward the reform agenda. The EU is playing a leading role in this respect through its substantial support for LOTFA and ARTF. Following the Kabul Conference, it is clear that ARTF, in particular, is set to have a further role in financing national priority programmes in the coming years. This will necessitate changes in the governance structure of this trust fund.

Although EU projects have been concentrated in the east and north, there is limited and progressively less scope for actively pursuing a strong **geographical focus**. A large number of bilateral donors, including EU Member States, have aligned their development assistance with their military presence. For the Afghan government, this has created problems in pursuing a more balanced approach in reallocating resources according to national priorities. In line with the principles of the 'Kabul process' therefore, EU funding for national priority programmes will be provided without any conditions regarding geographic location.

The 2009 **MTR stakeholder consultation**⁵ concluded that the choice of focal sectors remains relevant and is in full alignment with the ANDS. This was also reconfirmed with the Government at the time of the Kabul Conference. There was a general satisfaction with the EU programme but also an explicit demand to further pursue better coordination among donors, give more attention to capacity building, and strengthen local governance structures. These orientations are fully in line with the principles set out in the Kabul Conference communiqué.

⁴ see Annex 8 – Multi Donor Trust Funds

⁵ see Annex 4 – the MTR process

2.4. Conclusions

Based on the above review, the Multiannual Indicative Programme 2011-2013 will maintain a sectoral focus on rural development, on governance and rule of law, and on health. The previous non-focal sectors of mine action and social protection will be incorporated into the focal sectors of rural development and health respectively. In addition, support will be maintained for regional cooperation, as a non-focal sector. This approach confirms a proper division of labour at EU level, with other relevant areas, such as education, public finance management, and private sector development, covered by the UK, DE, SE, DK, and NL. The funding of large infrastructure for transport and energy is to be left to the international development banks. [The progress on achieving better aid alignment at an EU level is reflected in the results of the OECD 2008 Aid Effectiveness survey⁶.]

In October 2009 the EU adopted a **Plan for Strengthening EU Action in Afghanistan and Pakistan** (the EU Action Plan)⁷, with the aim of enhancing and consolidating the EU's action in the two countries. In adopting the Action Plan, the European Council declared the EU's renewed readiness to assist in meeting the challenges of the region, in cooperation with the countries concerned and the EU's international partners. In addition to this Plan, the EU has established a single representation in Afghanistan from April 2010 onwards, integrating the European Commission Delegation with the EUSR office for Afghanistan, which is contributing to further improving and facilitating the coordination of civilian assistance efforts.

The EU will seek to further enhance the effectiveness and impact of its assistance in line with the principles set out in the Kabul conference communiqué⁸. Specifically, this will include:

- Promotion of greater national ownership by increasing the level of donor assistance in support of 'on-budget' expenditure. Modalities are to be explored to promote sector approaches and increase the use of government systems wherever feasible. As affirmed by the Kabul Conference, this approach requires the government should rigorously pursue improving its public finance management systems, reduce corruption, improve budget execution, and increase revenue collection to finance key national priority programmes. Where feasible, support for Ministries is to be consolidated on the basis of sector support programmes that may combine the different aid implementation modalities, but which should clearly guide and channel the multiplicity of donor initiatives.

- Accelerate capacity building as an integral part of all development interventions at national, provincial and local level, in the public as well as in the private sectors, and where possible through well-coordinated national or international mechanisms. This is needed to reduce dependency on long-term external technical assistance by resolving the enormous human resources gap that is the result of decades of war.

⁶ For more information on donor coordination and division of labour between donors please see annex 3

⁷ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/110789.pdf

⁸ See:

<http://unama.unmissions.org/Portals/UNAMA/Documents/Kabul%20Conference%20Communique.pdf>

- Emphasise the outreach of government services in all relevant sectors to the Afghan population across its 34 provinces, 360+ districts and 40 000+ villages, combining the above principles, namely reinforcing capacity building at local level and pursuing the delegation of responsibilities in planning and monitoring budget execution to provincial, district and, eventually, village councils.

3. PART III: MULTIANNUAL INDICATIVE PROGRAMME FOR 2011-2013

3.1. Focal sector I — Rural development and mine action

3.1.1. *Main priorities and goals*

Eighty percent of the population live in rural areas and the majority are engaged in agriculture. Only 12% of the country is suitable for agricultural production and less than half that area is irrigated. The rehabilitation and extension of irrigation as well as the production of improved planting material for annual and perennial production remain essential. Large land areas are used for animal breeding, which constitutes another major source of livelihood for the rural population.

In addition to agricultural development, the country presents huge challenges in rural areas because infrastructure and climatic conditions render very difficult access to services such as health or education, but also to markets. The socio-economic environment is not very conducive to private sector investment. EU assistance will continue to focus on rural development, mainly through support for the relevant national priority programmes.

Proper geographical and sectoral allocation of scarce government resources requires adequate planning and consultation, entailing proper budget preparation and implementation, supported by reliable public finance management. This requires strengthening capacity at provincial, district and lower levels. Rural development activities must build on improved sub-national governance, which is increasingly becoming a cross-cutting element between the three focal sectors of the MIP.

For focal sector I, EU assistance will maintain a three-pronged approach. In agriculture, it will continue to provide investment in water and natural resources management (including range and forest lands), planting material (including seeds) and animal production, especially through animal health care. Where possible, this will be done through national priority programmes. In rural development, it will contribute to the roll-out of national priority programmes. Finally, it will contribute to strengthening governance at national and sub-national levels.

In coordination with other donors, the EU will pursue a dialogue with the government on sector policy support programmes and, eventually, sector budget support. This process will include analyses of policies, budget processes, public financial management, institutional capacity development, donor coordination, and monitoring and evaluation. Technical cooperation will aim to strengthen both service delivery and the institutional capacities of the Ministry of Agriculture, Irrigation and Livestock (MAIL) and the Ministry of Rural Rehabilitation and Development (MRRD) as well as other relevant ministries or institutions.

As concerns mine action, the widespread and indiscriminate use of landmines over two decades of conflict has left Afghanistan one of the most heavily mined countries in the world. As of August 2008, 4924 hazardous areas totalling an estimated 720 square kilometres of land remain in 12 of the country's 34 provinces. Accidents due to explosive remnants of war (ERW) account for around 8.6% of severely disabled people. Almost 50% of the victims are children. Mines not only pose a physical threat to Afghans, they

also deny farmers of their livelihoods and impede housing, resettlement, and livestock grazing. The security situation has deteriorated in the last two years, with increased numbers of serious security incidents, including shootings, kidnappings and murder, rendering de-mining increasingly difficult.

The transition of mine action to the national authorities is a key concern. The Mine Action Coordination Centre of Afghanistan (MACCA) continues to plan and coordinate mine action in Afghanistan, but transfer of the management of the Mine Action Programme for Afghanistan (MAPA) to the Department of Mine Clearance is a priority.

The main goals for this focal sector are to:

1. Increase the contribution of agriculture and rural development to the national economy, including through diversification of the rural economy and supporting the role of the private sector.
2. Increase resilience in the face of adverse climatic conditions and to increase food security.
3. Improve participative development processes and increase institutional capacities toward a sector-wide approach to agriculture and rural development, toward diversification of the rural economy and an enhanced role of the private sector.

3.1.2. Specific objectives and target beneficiaries

1. Increasing investment and service delivery in agriculture and rural development, in particular in water and natural resources management, improved planting material and animal health care. Also, through contributions to national priority programmes ensure continued support to community development programmes which foster the participation of women in economic activities and local decision making in rural areas (e.g. Community Development Councils).
2. Improving participative development planning and local governance and service delivery; increasing coherence and synergies between the various national priority programmes in agriculture and rural development, as well as synergies with other ministries; making progress on the roadmap towards SWAP-readiness of the relevant institutions, where this would provide added value.
3. Reducing the threat of injury and death posed by mines, UXO and illegal/abandoned stockpile ammunition for all Afghan citizens (MDG I, VII) and making more cleared land available for agricultural purposes.

3.1.3. Expected results (outputs)

Expected results for specific objective 1: (a) farmers use more productive techniques and skills, especially for water management and horticulture production, and have better access to production, processing and marketing inputs, services and information; (b) water catchment and irrigation management of selected river basins is improved and their social and environmental sustainability ensured, including greater forest coverage; (c) accessibility in selected rural regions is improved.

Expected results for specific objective 2: Improved capacity of public administration at central and sub-national level regarding policy, planning, services and verification functions, particularly in relation to veterinary services, horticulture, seeds, water management and skills training;

Expected results for specific objective 3: obstacles and threats deriving from remaining mines, unexploded ordnance and ammunition stockpiles are removed, the population is able to recognise and report mines and ERW, and mine/ERW survivors are reintegrated into Afghan society.

Security is the primary precondition for the proper execution of national programmes, in particular in the eastern regions. Afghanistan's exposure to increasingly unpredictable weather patterns also poses a significant risk to successful rural development. There is a risk that improved water management and irrigation systems will also improve poppy cultivation in the targeted regions. The risk of such adverse effects will be carefully monitored and appropriate mitigation strategies applied. With national priority programmes (*specific objective 1*), the biggest risk to success is the commitment of the Afghan government to speed up the reform process so that ministries can improve the quality of their staff and their implementation capacity. The continuation of public administration reform (*specific objective 2*), particularly at provincial and district level, is an important condition, particularly for the production of local development plans. The Commission will need to work alongside other key donors to ensure that the government and in particular MAIL adhere to this commitment.

As concerns mine action (*specific objective 3*), the issue of security in implementation of projects is of major concern. The main risks are associated with direct targeting of mine action personnel. Appropriate mitigation strategies will be developed and reviewed with the relevant civilian and military authorities. It is assumed that the international community is ready to provide assistance for a number of years to achieve agreed mine action goals. Equally important is the availability of timely and accurate information to support mine action and national development plans; this includes keeping mine/ERW contamination impact databases, such as the Afghanistan Landmine Impact Survey, up to date.

Programme-specific indicators will be set out in the relevant Annual Action Programmes. Overall indicators for national agriculture and rural development programmes could include:

For specific objective 1: Figures for increases in yields, average farm incomes, livestock and horticulture product exports and for the development of orchard plantations will provide an indicator. The number of implemented community-based projects — targeting for example drinking water (number of new wells and pipes), village electrification, rural roads, community centres and irrigation hydraulic infrastructures built — will provide another indicator. In the long run, the numbers of the rural population that continue to live below the poverty line will be a primary indicator of the impact of national reform programmes. In addition, counter-narcotics impact indicators could be applied to measure the success of the national priority programmes in terms of providing alternative livelihoods.

For specific objective 2: Indicators for capacity building activities will include the number of legislative acts adopted and the number of trained/re-trained staff in national, regional and local administrations.

Finally, indicators for mine action (*specific objective 3*) could include: the establishment of an effective multi-year framework by the government; the surface area identified and marked as suspected hazardous areas; surface cleared of mines; reduction in the number of victims; and the amount of stockpiled ammunition destroyed.

3.1.4. Integration of cross-cutting themes and complementarity with other programmes

Degradation of the environment and natural disasters are major problems in rural areas as well as some of the main barriers to long-term growth in the agricultural economy. Measures to address environmental problems and, where relevant, consequences of natural disasters, should therefore be integrated in the agriculture programmes described in this section including disasters risk reduction measures. The regional multiannual indicative programme 2011-2013 provides for complementary actions at regional level in the field of disaster risk reduction.

Discrimination against women is entrenched and needs to be addressed as part of a rural development strategy. Gender issues should therefore be addressed by all rural development programmes funded from the EU Budget. Moreover, as observed in the context of alternative livelihood programmes, a high proportion of the casual seasonal labour used for harvesting the opium crop have been women. As such, issues of female employment need to be factored into rural development programmes, at national and regional level.

The key cross-cutting issues for mine action concern the social and economic rights of (mainly rural) communities and returnees in mine-affected areas. Important environmental factors are inevitably associated with the level of land contaminated by ERW and mines.

As regards complementary actions, the focal sector receives further support under the Food Security Thematic Programme (Linking Relief, Rehabilitation and Development) as well as the Food Facility, with a specific focus on improving data availability and quality, early warning and market information, as well as on issues such as expanding certified seed production. These actions are in part implemented with the same main governmental partners, as well as with specialised international agencies and non-governmental organisations. Food security actions are closely coordinated with ECHO, which provides complementary food assistance in remote areas. In this context, increased synergies with the non-focal sector of social protection will be pursued.

3.1.5. Financial envelope

On average, the overall allocation for national and sub-national rural development will be around 35-40% of total funding over the period 2011-2013.

3.2. Focal sector II — Governance and rule of law

3.2.1. *Main priorities and goals*

The continued necessity of building the state to further stabilise the country, to improve the rule of law and to increase the presence of the state throughout the country, requires a number of major further improvements. Under focal sector II, the EU will continue to contribute to the improvement of the police force, a better functioning justice system, improved border management, revenue collection and public finance management, as well as improved sub-national governance. Support to the Afghan-led reintegration process will also be extended.

The EU aims to strengthen the reform process of the police through continued policy dialogue and support. The EU's substantial contribution to the funding of the Afghan National Police (ANP) through the Law and Order Trust Fund, (LOTFA) gives it a significant voice in discussions over police strategy and reforms. Under the previous MIP 2007-10, EU support was almost exclusively used for paying police salaries and operational costs. Support under the new MIP 2011-13 will be increasingly linked to taking forward reforms in police services and the Ministry of Interior. Consequently, while future EU support will continue to provide resources for salaries and operational costs of the ANP, this support will need to be linked to progress on the reform agenda. Furthermore, an amount up to one third of EU resources for police will be available for strengthening the quality of the police force. EU support in this field will be implemented in cooperation with relevant actors.

Judicial structures have been established in accordance with the 2004 Constitution. The Afghan government has finalised a National Justice Sector Strategy (NJSS) and has agreed to implementation of reforms with the assistance of the international community through a National Justice Programme (NJP). Progress on reforms though has been slow. Some courts and prosecutors' offices have benefited from the provision of equipment, human resources and training. However, perceptions of improvements in securing the rule of law remain weak. The legal institutions are still largely failing to fulfil their duties in protecting people under the law and in addressing past and current human rights abuses and corruption. Access to justice, in particular for women, remains difficult. The inability of the formal justice sector to deliver increases the chance of parts of the population turning to the Taliban for justice. Further support for the reform and strengthening of the national justice system will remain a priority. Future EU assistance to the National Justice Programme will be provided in a way which closely links it to agreed reforms. Depending on Afghan ownership of the reform agenda, EU will assist in taking forward institutional changes in the personnel structures of the justice sector, including pay and grading, recruitment and promotion systems.

Customs revenues constitute an essential part of the government's total revenues and have significantly increased over recent years. The continued improvement of a professional and accountable customs administration can have a direct impact on the sustainability of economic growth. Better quality customs services will improve regional trade flows between Afghanistan and neighbouring countries, thus yielding a supplementary source of income. Assistance will also be provided to the border police.

Finally, sub-national governance, public administration reform, statistical systems, and public finance management constitute permanent cross-cutting areas of support for EU assistance, as they constitute the necessary building blocks for a better functioning state. The training of civil servants for national and sub-national administrations will be fundamental to this process. Future EU assistance in this area will aim at developing and strengthening Afghan civil service training capacities in cooperation with the relevant Afghan Ministries.

The main goals for this sector are to:

1. Improve the functioning of the state through improved governance and reform.
2. Foster the rule of law.
3. Improve stability and security (including border security).
4. Increase revenue collection and improve economic growth through trade, as well as address corruption in the government, specifically where this relates to agencies and services dealing with border management and revenue collection.

3.2.2. *Specific objectives and target beneficiaries*

1. Strengthening governance institutions and instruments such as sub-national authorities, statistical systems or administrative reform.
2. Increasing access to justice by strengthening the formal justice system to enable it to better perform, and improving the prison system.
3. Promoting national and regional security by improving the functioning of the Afghan National Police.
4. Enabling better control of licit and illicit traffic flows at border crossing points by strengthening the capacity of the Afghan Customs Department and other relevant agencies.

3.2.3. *Expected results (outputs)*

Expected results for specific objective 1: selected institutions in the public administration have adequate infrastructure and equipment and have improved their operational and managerial capacity at central and provincial level.

Expected results for specific objectives 1 and 3: the functioning and restructuring of key public services, particularly the national police service, is facilitated.

Expected results for specific objectives 2 and 3: appropriate law enforcement infrastructure is established and adequately equipped particularly at provincial level, with effective inter-agency cooperation between law enforcement, prosecution and judiciary. The skills, attitudes and practice of law enforcement professionals, including those in the counter-narcotics field, are upgraded and contribute to respect of human rights and non-discrimination principles.

Expected results for specific objectives 1 and 4: capacity for revenue collection and public finance management at central and provincial level is improved.

Expected results for specific objective 4: the capacity of border management and customs services is improved so they are able to carry out their core functions in a transparent and accountable manner.

The commitment of the Afghan Government to reforming the justice and public administration system is the key condition for success in this sector. Risks include differences in views on reforms among actors within and outside both the justice system and the civil service; these will have to be mitigated on a case-by-case basis through careful negotiations and a continuing and deepening policy dialogue. Another key consideration is the need to promote, through dialogue with the relevant partners in government and the international community, a degree of stability in pay and conditions in the public sector, to ensure there is an incentive for young, able Afghans to join and stay in the civil service.

Indicators will be defined in the relevant Annual Action Programmes. As regards *specific objective 1* — as well as *specific objectives 3 and 4*, concerning specific parts of the public administration — indicators could include capacity and service delivery outputs as well as the number of trained public sector staff, the establishment of merit-based appointment/promotion systems, the number of women employees, and revised administrative procedures at central, provincial and district level.

As regards *specific objective 2*, indicators could include the number of operational courts per region, the number of trained judges and administrators in the judicial system, increased transparency of the promotion system in the justice sector, a reduction in the duration of dispute settlements, an increased number of cases dealt with in the formal justice system, increased access to defence lawyers, and the number of secured convictions in counter-narcotics cases.

3.2.4. Integration of cross-cutting themes and complementarity with other programmes

The inability of the judiciary to protect human rights effectively is a key problem. Women in particular may experience adverse consequences from the virtual absence of a formal justice system and the application by informal justice institutions of practices inconsistent with international human rights law, the Constitution and Afghan law. The establishment of an effective justice system is essential to address these issues. Human rights/gender concerns will be mainstreamed in the justice sector as well as other public administration programmes.

Various EU programmes complement the work proposed in this focal sector. The European Instrument for Democracy and Human Rights supports civil society actors (for example, recent calls for proposals have focused on peaceful reconciliation of group interests and consolidating political participation and representation). Further support includes projects to strengthen civil society, to facilitate interaction between state and non-state actors, and to promote peace building and conflict resolution funded through the Non-State Actors in Development programme.

Finally, the EU Election Observation Mission Final Report (December 2009) has made a number of recommendations regarding the existing electoral framework as well as wider institutional issues that need to be addressed. These recommendations follow the EOM's presence in the country for the presidential and provincial elections in August 2009. The EOM Report has provided the necessary framework for future intervention in this sector.

3.2.5. *Financial envelope*

On average, the allocation for governance, encompassing justice and public administration reform, will be 35-40% of the total funding over the period 2011-13.

3.3. Focal sector III — Health and social protection

3.3.1. *Main priorities and goals*

Health indicators for Afghanistan remain amongst the worst in the world, with infant and maternal mortality for example still extremely high. That said, progress has been made both in the provision of primary and secondary health care across most areas of the country over the last 8 years. The Government has a policy of contracting out service delivery of health functions to NGOs. This approach has proved to be an effective way of delivering health services, and is largely accepted by all stakeholders. The coverage, accessibility and quality of services have all improved. All service providers offer the same health care packages defined by the Ministry of Public Health (MoPH) in consultation with partners. These two packages cover both basic primary care (Basic Package of Health Services BPHS) and secondary health care (Essential Provision of Hospital Services EPHS).

Three major donors are funding health care services (USAID, World Bank, EU). This will probably continue in the coming years. Work is divided among donors by provinces. The EU covers ten provinces for BPHS and five provinces for EPHS. As one of the three major donors active in the sector, the EU has a comparative advantage and a privileged relationship with the MoPH. The bulk of EU assistance in the health sector will continue to focus on and to sustain service delivery. However, rather than continuing with its present centralised management of assistance, the EU intends to explore more sustainable means of channelling its support, preferably using a sector-wide approach. At the same time, there is a continued need for more policy development on thematic issues such as pharmaceutical affairs, mental health care, health care financing, disability, human resources management, financial management and procurement management. Hence the work of the MoPH needs further development and assistance, supported through demand-driven technical cooperation. The EU could also consider support for the prevention and control of communicable and non-communicable diseases.

Social protection assistance will continue to focus on improving government capacity to provide social protection services to the most vulnerable groups, particularly in urban areas. Priorities will continue to include: strengthening capacity for policy and strategy development; improving standards of care and social workers training, registration of accredited service providers, referral systems, and monitoring mechanisms; and enhancing inter-ministerial, donor and service provider (NGO) coordination. This entails strengthening public-private partnerships for the provision of social care services at national and sub-national level. This will first target specific provincial capitals and later the approach will be replicated at a national level.

The main goal will be to contribute to achieving the government's health care and social protection objectives.

3.3.2. *Specific objectives and target beneficiaries*

1. Delivering BPHS and EPHS services, where necessary complemented by specific measures in support of rehabilitation and mental health services as well as maternal health care;
2. Strengthening the budgetary and public finance management provisions of the health sector as well as MoPH's institutional capacity in its core mandate within the context of moving towards a sector-wide approach in the health care sector;
3. Improving the policy, legal, institutional and budgetary framework for social protection as well as improving service delivery and implementation of national programmes for social protection.

3.3.3. *Expected results (outputs)*

1. Provision of BPHS at provincial level is further improved. Secondary health services (EPHS) successfully complements BPHS at provincial level. Appropriate numbers of qualified health staff, in particular female health workers, ensure service delivery especially at provincial/district level.
2. MoPH's capacity to manage and steward health sector development is further improved, particularly at provincial level. Appropriate health financing mechanisms are explored and promulgated where possible.
3. Through social protection activities, the emergency needs of vulnerable groups are met. Vulnerable groups have improved access to public services with enhanced quality. The planning, implementation and monitoring capacities of the social protection system at national level are further developed. Over time their the specific needs of the targeted vulnerable groups, are integrated into mainstream government policy and social programmes;

Success in the health sector is dependent on continued decentralisation of the health system. In some regions of implementation, security poses a significant problem (in terms of accessibility and staff and patient safety). For social protection, continued government commitment to tackling extreme vulnerability is a precondition. The Government's National Protection Plan needs to be implemented. Two major challenges need to be addressed: (i) supporting measures to deal with the immediate needs of the vulnerable; and (ii) putting in place the foundations for a social protection system compatible with an economy undergoing reconstruction and transition.

For health, indicators will be defined in the relevant Annual Action Programmes to be adopted, and will be in line with the Millennium Development Goals and the targets set out in the ANDS.

For *specific objective one*, indicators include the percentage of the population with access to BPHS services, the availability of female health workers at each facility, the proportion of antenatal and postnatal care visits and the proportion of institutional deliveries, and a reduction in infant and maternal mortality.

For *specific objective two*, indicators include progress made in sector coordination and in moving towards a sector-wide approach, and further improvements to financial management systems, including the streamlining of funding channels.

For *specific objective three*, social protection, indicators will depend on the groups targeted and could include: the number of women-headed households supported; the number of street children returning to school; the number of drug users and people with disabilities supported. In the long term, the degree to which the needs of vulnerable groups are effectively integrated into mainstream government social policies will constitute a valid set of complementary indicators.

3.3.4. Integration of cross-cutting themes and complementarity with other programmes

Gender mainstreaming and women's empowerment are essential to improve family health and to ensure a minimal social safety net. In Afghanistan today however, women have reduced roles outside the private domain and limited access to health and social services. The participation and training of women, including support for female managers and leaders will continue to be promoted. The human rights of vulnerable groups, such as people with disabilities or with a mental health condition (including drug addicts), need to be safeguarded, including by paying attention to the accessibility and user-friendliness of health services. Consideration of the effects of climate change on healthcare provision (for example increased prevalence of malaria and water-borne infectious disease) should be integrated into programmes where appropriate.

As regards complementary actions, the health sector receives further support under the Food Security Thematic Programme (linking relief, rehabilitation and development) for projects aiming at bolstering the nutrition component of the BPHS and EPHS both at provincial and national levels. Activities in the field of social protection are complemented by the regional programme Aid to Uprooted People, which provides support and services to Afghan refugees in Iran and Pakistan, returnees, and internally displaced persons. ECHO provides complementary services (including water, sanitation and shelter for returnees, as well as food assistance, but not health services).

3.3.5. Financial envelopes

On average, the allocation for health and social protection will be around 18-21 % of the total funding over the period 2011-13.

3.4. Non-focal sectors: Regional Cooperation

3.4.1. Main priorities and goals

The EU will concentrate on taking forward proposals from various regional forums, in particular the Regional Economic Cooperation Conference on Afghanistan (RECCA), which held its third meeting in Islamabad in May 2009. Many problems in the area, in particular for landlocked Afghanistan, can only be addressed usefully at regional level, for example trade, transport and transit. Particular attention will therefore be paid to contributing to the general agenda for regional cooperation, more particularly in the areas of customs and border management, and to improving Afghan government capacity to address regional issues, including support for the Ministry of Foreign Affairs to follow up on RECCA commitments.

The fourth RECCA meeting, to be held in Istanbul in November 2010, will provide opportunities to further focus the Government's regional agenda. The EU will support the Government of Afghanistan in the definition of activities in the areas of **trade, transit and border management** in particular.

Efforts in the area of **counter-narcotics** also have to be addressed at regional level in cooperation with inter-governmental bodies active in this field, most notably the UNODC. Support for regional precursor control programmes and Integrated Border Management will continue to be a priority in combating the narcotics trade.

The main goal will be to contribute to regional integration and dialogue between neighbours to address essentially issues of trade and transit and other areas of common concern.

3.4.2. Specific objectives and target beneficiaries

1. To strengthen the Government's capacity to participate constructively in regional coordination and to enhance Afghanistan's trade links with South and Central Asia.

3.4.3. Expected results (outputs)

1. Enhanced inter-ministerial and inter-governmental awareness, capacity and cooperation on a range of cross-border issues (economic, social, environmental, infrastructure, and law enforcement);
2. Legislative framework to handle remaining refugees and seasonal migratory flows is agreed and enacted between Afghanistan and concerned neighbouring countries;
3. Trade barriers are reduced and cross-border trade is promoted with enhanced security of the 'supply chain' (i.e. security of goods in transit, export and import). As and when appropriate further assistance in the area in trade could be provided in particular in the area of trade facilitation and technical assistance in the field of competition policy;
4. Regional structures to combat the flow of precursors and narcotics in and out of Afghanistan are strengthened.

Specific indicators will be defined in the relevant Annual Action Programmes. These could include the number of harmonised administrative procedures, including customs procedures; the number of newly adopted/improved legislative acts on international economic issues; and — over the longer term — the increase in intra-regional trade.

3.4.4. Integration of cross-cutting themes and complementarity with other programmes

Environmental degradation is closely linked with the lack of coordination of water resources across borders, as is the impact of illicit trade in natural resources, such as the destruction of natural forests. Environmental issues will therefore be mainstreamed in projects dealing with water resource management and trans-border trade in natural resources, bearing in mind the further potential disruption to water resources as a result of climate change.

In line with its strategy on disaster risk reduction (DRR) in developing countries, the EU will support all efforts to integrate DRR initiatives at regional level. On matters relating

to the management of cross-border migration, it will also be important for any planned interventions to take into account specific gender issues, for example the seasonal employment patterns of migrant women in some areas.

3.4.5. *Financial envelope*

Allocations for regional cooperation will be identified within the range of 2-4% of the total funding over the period 2011-13.

ANNEXES TO THE MTR AFGHANISTAN

- Annex 1** Afghanistan at a Glance
- Annex 2** Indicative Allocations for Afghanistan 2007-13
- Annex 3** Donor Matrix
- Annex 4** MTR process
- Annex 5** Environmental Profile
- Annex 6** Migration profile
- Annex 7** Governance Profile
- Annex 8** Multi-Donor Trust Funds

Annex 1 Afghanistan at a Glance

Afghanistan is a landlocked and mountainous country, with a size slightly larger than France (652,100 sq km). The climate is arid to semiarid with hot summers and cold winters.

The Central Statistical Office estimates the population at 24,960,000 of which 51.2% male and 48.8% female. Afghanistan has a very young age structure with 49 % of the population below 15 years (NRVA 2007/8). The annual population growth is 2.63 %, with a fertility rate of 6.27 children per women. Three quarter of the population (74%) is settled in rural areas, 6 % consists of semi-nomadic Kuchi and remaining 20% lives in towns. The main ethnic groups are Pashtun (42%), Tajik (27%), Hazara (9%) and Uzbek (9%).

Socio-economic indicators

	2006	2007	2008	2009
GDP pro-capita (PPP) current USD	657	737	758	812
GDP pro-capita current USD	289	352	428	485

Total labour force:	8,000,000
<i>Agriculture and livestock</i>	59%
<i>Const., mining and quarrying</i>	8%
<i>Manufacturing</i>	5%
<i>Trade</i>	11%
<i>Trans. and comm..</i>	3%
<i>Education</i>	2%
<i>Other services</i>	9%
<i>Public administration</i>	4%
Unemployment rate	7%
Female unemployment rate	43%
Absolute poverty rate	32%
Average household size	7.3

Health and education indicators

Life expectancy at birth:		
<i>Males</i>	42	
<i>Females</i>	43	
Infant mortality rate	111 deaths / 1,000 live births	
Under-5 mortality rate	161 deaths / 1,000 live births	
Maternal mortality	1,900 maternal deaths / 100,000 live births	
Adult literacy	26%	
<i>Males</i>	39%	
<i>Females</i>	12%	
School enrolment rate	52%	
<i>Males</i>	60%	
<i>Females</i>	42%	
Population by educ. attainment		
<i>No education</i>	Males	Females
<i>Primary school</i>	72%	93%
<i>Middle school</i>	10%	3%
<i>High school</i>		
<i>Teacher college</i>	5%	1%

University / Post graduate	9%	2%
	1%	1%
	3%	0%

Macro-economic indicators

	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
GDP (PPP) USD billions	15,721	17,555	20,209	21,340	25,224
GDP USD billions	6,489	7,723	9,658	12,061	14,022
GDP growth	16.1%	8.2%	12.1%	3.4%	9.0%
C/A (including grants) USD millions	-182	-379	85	-181	-591
C/A (excluding grants) USD millions	-4,800	-5,407	-6,425	-7,087	-7,083
Official Exports	386	416	482	603	658
Official Imports	5,482	6,049	7,246	8,273	8,093
Inflation rate	12.3%	5.1%	13.0%	27.2%	5.2%
GDP composition by sector					
Agriculture	31%				
Industry	26%				
Services	43%				
Main export partners					
India	21.1%				
Pakistan	20.1%				
US	18.8%				
The Netherlands	7.9%				
Tajikistan	6.7%				
Main import partners					
Pakistan	35.8%				
US	9.2%				
Germany	7.5%				
India	4.8%				
Currency	Afghani (AFN)				
Exchange rate regime	Pegged to USD Average rate since 2002 is 48.55 AFN to 1 USD				
Exchange rate EUR/AFG	72.75				

Public-sector performance indicators

	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Public expenditure (% GDP)	10.0%	11.3%	10.5%	12.2%	12.1%
Gvt gen. income (%GDP)	4.4%	5.7%	5.2%	5.0%	5.7%
Externally financed recurrent budget (%GDP)	51.7%	44.2%	45.6%	36.2%	39.7%

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Annex 2 Indicative Allocations for Afghanistan 2007-13

The proposed budget breakdown of EUR 600 million for the years 2011-2013 is as follows:

- Rural Development 35-40%
- Governance 35-40%
- Health 18-21%
- Regional Cooperation 2-4%

The table below proposes an indicative planning for the Annual Action Plans. This is aligned with the expected requirement of providing continued funding for activities already initiated during the MIP 2007 – 10.

Sectors and Programmes		MIP 2011-13
Rural Development	Local Development	€ 220-240 M (35-40%)
	Agriculture Support Programme	
Governance	Police Reform	€ 220-240 M (35-40%)
	Sub-national Governance	
	Justice Reform	
Health	Health & Social Protection	€ 100 - 125 M (18-21%)
Regional Cooperation	Trade, transit and border management	€15-25 M (2-4%)
Total		600

Annex 3 External Assistance and Donor Coordination

Disbursement

With national revenue amounting to 8.9% of GDP, aid is of great significance to the Afghan economy. Since 2002, Afghanistan has been provided with a remarkable amount of official development assistance (ODA). According to the latest Donor Financial Review⁹ the international community has provided US \$ 1241 per Afghan citizen in assistance since 2001. The overall disbursement rates against commitments stand at around 78% which is also satisfactory.

The national budget in Afghanistan is the central instrument for the implementation of the Afghanistan National Development Strategy (ANDS). The budget is divided into Operating Budget and Development Budget. The latest data by MoF show that 70% of the Operating Budget and almost 100% of the Development Budget is financed and implemented by donors.

Increasing the percentage of domestic revenue financing the operating budget is an important fiscal policy objective of the Afghan Government and international community. The growth in domestic revenue has been very strong in FY 1388 (2009-2010) and the Government has set an ambitious target for domestic revenue's collection in 1389 (2010-2011): US \$ 1.466 billion.

	1386 2007-08	1387 2008-09	1388 2009-10	1389 2010-11
Government Budget	2.897*	3.724	4.168	4.443
Actual Expenditure	1.986	2.281	2.842	
National Revenue	666	808	1.024	1.466
Revenue on Budget	23,0**	21,7	24,6	32,9
Revenue on Expenditure	33,5	35,4	36,0	

sources: ANDS First Annual Report; IMF 5th Review, 1388 fiscal report
*) million US\$; **) %;

Since 2001 the international community has pledged US \$ 62.03 billion in assistance (grants and loans) to Afghanistan. Fifty-five percent of this amount or US \$ 34.1 billion was announced in the international conferences on Afghanistan (Tokyo, Berlin, London, Rome and Paris).

Revising the amounts for re-pledging and supplementary funds announced outside these conferences, the MoF estimated in its November 2009 Donors Financial Review that during 2002 – 13 Afghanistan can expect US \$ 62.03 billion of external assistance. This consists of contributions from 56 donors, of which the US shares 61 %, EU 14.8 %, WB and ADB 8 % and remaining 27 entities 16.2 %. In other words, 94.9 % is contributed by 8 donors, which also include Iran, India, Canada and Japan.

⁹ 1388 Donor Financial Review of November 2009

	2002 – 13 Pledges	2002 – 09 Commitments	2002 – 09 Disbursements
USA	38*	28.366	23.417
EU	9.181	7.427	5.596
WB and ADB	5.0	3.435	1.982
Japan	1.9	1.378	0.99
Canada	1.679	1.2	0.898
India	1.2	1.236	0.662
Norway	0.938	0.598	0.324
Iran	0.864	0.33	0.341
Other	3.2	2.1	1.24
Total	62.03	46.09	35.45

Source: Donors Financial Review – Report 1388

*) billion US \$

Out of the pledged ODA of US \$ 62.03 billion, 74.3 % was actually committed and/or contracted by the end of 2009. Of the committed amount, 76.9 % was reported as disbursed. According to the same MoF review, EU figures were respectively 80.8 % and 75.3 %. This, however, does not include the MIP 2011 – 13 budget. Furthermore and according to the same report around 77% (US\$ 29 billion) of the disbursed USD 35.45 billion has been disbursed on projects and programmes designed and implemented by donor countries outside the Afghan budget. The remaining development assistance (US \$ 8.7 billion) has been delivered through the treasury using the Afghan budget and - out this amount - only USD 770 million has been allocated at full discretion of the Afghan Government.

ANDS Funding¹⁰

In early 2008, the ANDS was estimated to require US \$ 50.1 billion until 2012 – 13 (Solar Year 1391). The Government projected to be able to contribute US \$ 6.8 billion from domestic revenues (13.6 %) and requested the remaining part to be covered by ODA. Based on the utilisation of total pledges for the period 2002 – 13, the MoF estimates that confirmed ANDS contribution sum up to US \$ 20.9 billion (48.3 % of the gap). It is to be noted that several donors including the EU, have not been in the position to confirm their commitments till 2012. However, when adopting a linear projection from the existing commitments 2002 – 08, the forecasted aid budget is estimated to be US \$ 27.8 billion. The expected funding gap would require an immediate increase in ODA for Afghanistan by 50 – 75 % of the annual commitments, i.e. around US \$ 3.5 – 4.5 billion over the existing estimated annual commitment of US \$ 5.5 – 6.5 billion. With the exception of the United States, no donor organisation has indicated any substantial increase to its budget in tune with the magnitude of the funding gap.

Analysis of the ANDS requirements and expected donor allocations by sector show that a large part of the funding gap is related to infrastructure and exploitation of natural

¹⁰ See for further information: <http://dadafghanistan.gov.af/>

resources (energy, transport, and mining). This is often argued by the Government as an example of donors not sufficiently aligned with the priorities of the ANDS. It may be questioned, however, if most of these requirements should not be funded by the private sector and international development banks. So far the share of loans in the overall investment in the country has remained rather low.

The second major sector — Security — requires 28.3 % of the ANDS budget. Moreover, a strong demand for substantial increase in both the military and police force suggests a substantial increase of the proportional share of this sector in the ANDS budget and a further widening of the funding gap. A big challenge the international community faces is then to guarantee an increase in funding for security sufficient to avoid undue pressure on the funding of other development activities.

Excluding the aforementioned sectors, the projections of under-funding appear far less substantial, i.e. an estimated shortage of US \$ 1.9 billion on a total budget of US \$ 18.8 billion. It is likely that a significant part of what is shown as unclassified could be reallocated according to requirements. Similarly several donors are yet to make their multi-annual projections until 2012. In relative terms education raises most concerns followed by agriculture, rural development, governance and rule of law.

Sector	ANDS Requirement	Funding Gap	
	Billion US \$		%
Infrastructure and Natural Resources	17.2	-15.0	-87.2
Security	14.2	-5.5	-38.7
Education	4.9	-2.5	-51.0
Agriculture and Rural Development	4.5	-1.4	-31.1
Good Governance and Rule of Law	3.0	-0.7	-23.3
Health and Nutrition	2.5	0.2	8.0
Social Protection	1.8	-0.2	-11.1
Economic Governance	1.2	-0.2	-16.7
Unclassified	0.9	2.9	322.2
Total	50.2	-22.4	-44.6

Source: Donors Financial Review – Report 1387

Donor Coordination

The Joint Coordination and Monitoring Board (JCMB) set up as part of the Afghanistan COMPACT resulting from the London Conference early 2006 and co-chaired by the Government and UNAMA, oversees the international cooperation efforts. It is supported by standing committees and task forces at sector level facilitated by a UNAMA team that has been mobilised since the end of 2008 to enhance aid coordination as requested by the international donor community and the Afghan Government

EU Assistance

The current average annual disbursement of EU assistance for Afghanistan is estimated at EUR 949 million or US\$ 1.4 billion¹¹.

The table below¹² provides a breakdown by individual Member States and the EU according to the allocation of funds to the principal sectors as distinguished in the Afghan National Development Strategy (ANDS). As the social protection sector includes humanitarian aid, there is some underestimation of the EU contribution as humanitarian aid for ECHO funding and some Member States could not be included because of its non-programmable nature as emergency assistance. Assuming similar requirements as provided during recent years, this would add another EUR 40 to 50 million, adding up the annual EU disbursement figure to about EUR 1 billion

Nearly half the EU support (47 %) is channelled towards sectors such as Governance, Rule of Law and Security. This covers a vast area of reinforcing the Government revenue and budget management capacity including a substantial contribution to the administrative reform process and payment of salaries of civil servants through the Afghanistan Reconstruction Trust Fund (ARTF) and of police officers through the Law and Order Trust Fund (LOTFA). Other major interventions include support to the elections, setting up and strengthening sub-national governance structures, reform of the judicial system and counter narcotics.

Most contributions in the 20 % share for rural development and agriculture are in support of community development and public infrastructure at district and village levels through the National Solidarity Programme (NSP) and other national priority programmes managed by the Ministry of Rehabilitation and Rural Development. There is also growing donor support for the improvement of agriculture production and irrigation, working through the Ministry of Agriculture, Irrigation and Livestock (MAIL).

A proportionally equal contribution (19 %) is made for the combined social sectors including education, health and social protection. As mentioned above this relative share may be slightly higher if the entire humanitarian aid component were to be included.

The fourth main area of intervention combines support to private sector development and construction of major infrastructure (12 %).

The programmes of Germany, the UK, and the EU constitute the largest share of the European effort in Afghanistan, accounting for approximately two-thirds of the annual EU aid. Germany has significantly increased its civilian engagement, making it the third largest donor in Afghanistan behind the USA and Japan. Another 7 countries -

¹¹ This figure is derived from the annual average of realised and projected disbursement for a reference period (mostly 2 – 3 years). This method was adopted as it allows better adjusting to the different budgetary cycles of each of the donors and minimises biases due to differences in definitions.

¹² Source: *EU Blue Book 2009 - The EU and Afghanistan*, Delegation of the EU to Afghanistan, November 2009: http://www.delafg.ec.europa.eu/en/downloadable_documents/EUBlueBookAfg_2009.pdf

Netherlands, Italy, Denmark, Sweden, France, Finland and Spain - contribute together 36 % of the annual European assistance.

The European Commission has been a strong supporter of better aid alignment which for the EU as a whole is also reflected in the superior scores of the OECD 2008 Aid Effectiveness survey. During 2007, over half of the EU combined funding for Afghanistan was through the public finance management system. It has contributed nearly two third of the funding for the ARTF and around 40 % for the Law and Order Trust Fund.

Estimated EU Current Average Annual ODA for Afghanistan according to ANDS Sectors (million EURO/year)

	Security	Governance, Rule of law and Human Rights	Infrastructure and natural Resources	Education and Culture	Health and Nutrition	Agriculture and Rural Development	Social Protection	Economic Governance and Private Sector Development	Unclassified	Transversal Issues	ARTF un-preferenced	Total Average Annual Contribution in Period of Reference
Austria (2008 - 09)	0.1	0.4		0.2	0.0		0.3					0.95
Belgium (2009 - 10)	0.5	1.0		1.0	3.5	1.5	2.0		0.5		2.0	12.0
Czech Republic (2008 - 10)	0.7	0.1	0.9	1.9	0.2	1.2	0.1					5.1
Denmark (2008 - 10)	2.4	8.6	3.4	14.5		12.8	3.8		0.6		2.2	48.3
Germany (2007 - 09)	26.0	3.2	29.1	26.7		19.2		18.4			21.7	144.4
Estonia (2007 - 09)		0.5		0.1	0.6							1.2
Spain (2007 - 09)		0.7	4.8	1.6	4.8	9.0	1.1		0.7	0.2	9.2	32.0
France (2009)	2.2	2.4	1.0	5.9	3.8	18.7	2.5				4.0	40.5
Italy (2007 - 09)		13.4	16.0		1.9	6.6	8.7	2.1	0.5	1.0	7.0	57.2
Ireland (2007 - 09)	2.8	2.2	1.5	0.1	1.4	0.5	2.1		0.2		4.0	14.8
Latvia (2007 - 09)	0.1	0.8	0.2	0.0		0.1			0.1			1.3
Portugal (2002 - 08)									4.0			4.0
Romania 2008 - 09									0.2			0.2
Bulgaria (2002 - 08)									0.7			0.7
Slovenia (2009 - 11)									0.3			0.3
Slovakia (2009 - 10)		0.3		0.2	0.5	0.2						1.2
Lithuania (2007 - 09)		0.4	0.7	1.1	0.3	0.2	0.2		0.5		0.1	3.5
Hungary (2007 - 09)	0.3	2.1	0.3	0.2	0.0	0.7	0.0		0.2	1.0		4.8
Netherlands (2008 - 09)	20.8	11.6	0.6	3.3	1.3	19.0	6.2	1.0	0.4		25.0	89.2
Luxembourg (2007 - 09)	0.2	0.0			0.9	0.2				0.6	0.8	2.7
Poland (2008 - 09)	0.0	0.1	2.6	0.3	0.6	0.1	0.1	0.2	1.4	0.0	0.4	5.6
Finland (2008 - 10)		10.3	1.6		1.2	9.0			1.4		9.0	32.5
Sweden (2008 - 10)	3.0	9.1	2.6	12.6	1.3	3.2		1.0	0.5		6.9	40.2
Greece (2007 - 09)		0.3	8.4	0.3	1.0		0.7	0.3		0.7		11.7
UK (2008 - 10)	11.2	68.9	5.2			31.3	12.9	11.8	2.0		70.8	214.1
European Commission (2007 - 10)	39.2	35.1			29.2	55.2	13.2				8.7	180.6
EU Total	109.4	171.5	78.9	70.1	52.4	188.8	53.9	34.8	14.1	3.5	171.8	949.0

Annex 4 MTR Process

Consultation of EU-MS

The Mid-term Review of the Country Strategy (CSP) was launched in early February 2009 with a consultation of EU-MS based on an extensive presentation of the programme and followed by a second meeting in April. Much of the discussion focused on clarifying the programme, while there was a general agreement that no major changes would be required to the approach.

Consultation of National Stakeholders¹³

A formal consultation of national stake holders was organised through three separate meetings in April/May 2009 with representatives of a wide range of Government Institutions, Civil Society and the Lower House of Parliament. These meetings chaired by the Delegation took place in the conducive environment of the well-secured Serena Hotel. Simultaneous translation in English, Dari and Pashto was provided to all participants individually.

The agenda followed the format of an introduction through a 30 minute power point presentation on the status and achievements of the EU programme in Afghanistan followed by a general question and answer session. The second part of the meeting consisted of a discussion structured around 5 key issues that prior to the event had been communicated by letter to all participants and a dedicated page on the Delegation website.

There was excellent participation in all 3 meetings, even if attendance from Civil Society and Parliament was somewhat lower than expected. The selection of invitees was done to enable the widest possible range of participation at the senior level while keeping in mind an optimal group size of around 40 to allow for an interactive and fruitful debate. Accordingly all Ministries and Government Institutions relevant in the wider context of international support for governance and socio-economic development in Afghanistan were invited, independent of whether they are recipients of EU assistance. For Civil Society a selection was made in consultation with the 3 active national umbrella organisations and based on a breakdown between national and international development NGOs as well as other types of organisations and combining recipients and non recipients of EU subsidies. The parliamentary consultation was with the Committees on International Affairs and Budget, as well as with other Members of Parliament who were not a part of these two Committees but who had previously participated in the exchange visits with the European Parliament.

Given the limitations imposed by the poor security situation and therefore the requirement of a disproportional amount of resources to ensure an adequate representation, it was not feasible to extend the consultation process into other parts of the country.

¹³ <http://www.delafg.ec.europa.eu/en/cooperation/mtr.htm>

Conclusions and Recommendations:

- All participants expressed appreciation for the way in which the consultation was conducted and were looking forward to further involvement in the finalisation of the MIP 2011 – 13. From among the Parliamentarians it was strongly recommended to consider possibilities of periodic consultation on the progress of the EU programme, for example once a year before the budget session in the context of a meeting of the Committees on Budget and Socio-economic development.
- The issue of possible expansion of sectors to include the education field was raised a few times. However, in general there is a good understanding as to why the programme needs to focus. The choice of the focal sectors— rural development, governance and rule of law and health— is considered to be fully aligned with the ANDS.
- The emphasis on aid effectiveness needs to be further enhanced towards accountability and on the role different stakeholders in this regard (Civil society, Parliament, local Councils, etc.). Concerns related to corruption and inefficiency of international aid, such as the high degree of sub-contracting and reliance on expatriate expertise, were extensively debated though very much in general terms and not related to EU funded aid. Several speakers pointed out a special appreciation for European assistance as coming ‘with no strings attached’.
- Government and Parliament strongly advocated more channelling of funds on budget and through national programmes at the central level, in order to allow the Government to keep control over the equitable distribution of resources over the provinces and sectors. At present the international assistance is very unevenly distributed and often related to the presence of PRTs or strong local leadership. Too many donors have projects parallel to national programmes. There is a case for stronger sector wide approaches. The EU's policies in this regard were appreciated.
- The role of civil society based organisations and NGOs in the delivery of services is well recognised and appreciated. At the same time there is a need to reflect more profoundly about further ‘Afghanisation’ of this model of engagement, in comparison to substitution by Government instances or private-for-profit models, at least in the medium-term future. There is strong complementarity between what NGOs and Government are doing or are expected to do.
- There is a strong need for capacity building and the EU should ensure that in all the programmes it is supporting, maximum efforts are made to transfer of skills and reinforcement of national capacities. More attention needs to be paid on measurement of the impact of capacity building and hence on proper identification of the needs, targets and measurable indicators. Stronger implication of the beneficiary ministries is required.
- More efforts must be made to strengthen governance structures at local level as well as democratic decision making and public accountability mechanisms. The

degree and mechanisms of decentralisation in terms of new institutionalised structures and of long term exit strategies of present delivery models of development financing remains object of debate with no clear consensus emerging from among the participants.

- Many activities have been implemented, often with large parts devoted to investments, but there has not been enough attention to how this translates into an improvement of employment and livelihoods and eventually into poverty alleviation.
- Disaster risk reduction may be more explicitly addressed in the programme given that Afghanistan is highly prone to natural risks as well as the good potential the current EU programme has through its involvement in water basin a management, food security and social protection.
- Gender balancing is often given superficial attention and more efforts are needed to promote and ensure attention for women related issues such as maternal health and women participation in public representation and rule of law institutions.
- Child protection and participation need to be addressed more explicitly in the future programme.

Further consultations

In light of the preparations for the Kabul Conference, the Commission decided, in agreement with the Government of Afghanistan, to await the outcomes of the Kabul Conference before finalising the MIP 2011-13.

In the run-up to the Kabul Conference, there was a period of extensive consultation, and joint preparation of 'national priority programmes' between the Government of Afghanistan and the international donor community. The EU Delegation participated actively in this process. The first high-level consultation on EU-Afghanistan cooperation took place during this period and within this framework.

The outcome of the overall preparatory process was significantly enhanced coordination within government and the development of newly developed programmes in four sectors: 1) agriculture and rural development, 2) human resources development, 3) economic and infrastructure development, and 4) governance. The Kabul Conference launched the so-called *Kabul Process* which called for enhanced Afghan leadership and ownership in all sectors and solicited commitments from donors to strengthen their support to the Government of Afghanistan. The MIP 2011-13 was revised to take these developments into account. This should make it possible for development assistance from the EU budget to respond more effectively to national priorities and programmes and in doing so also increase the use of national channels wherever feasible.

Annex 5 Environmental Profile

An analysis of baseline information reflecting the pre-conflict environmental situation conducted in 2002 by the United Nations Environment Programme, and of the most recent data gathered and synthesized for the purpose of the ANDS in 2008 reveals the following priority environmental issues needing further policy attention and action:

- Water resources
- Rangeland, forest and bio diversity
- Land use, agriculture and soils
- Urban environment
- Natural disaster and climate change

Water resources

Afghanistan is naturally arid and its supply of water for irrigation, drinking and maintenance of wetland ecosystems depends to a very large extent on winter precipitation and seasonal melting of snow and permanent ice-fields in the high ranges of the Hindu Kush. Climate change, the resulting melting of mountain glaciers, severe droughts and poor management of water resources are a constant threat to water security. War-inflicted damage to large and small irrigation systems and the disruption of water supplies have reduced the accessibility of this essential resource. However, rehabilitation projects and river basin management initiatives are being implemented, of which the EU funded Panch-Amu basin programme is currently one of the largest and most comprehensive in the country. The promulgation of the Water Law in 2009 foresees an overhaul and considerable strengthening of the governance of water resources with participation of all stakeholders ranging from beneficiaries of irrigation schemes to urban drinking water schemes and upper catchments land use groups. Improved access to safe drinking water for urban and rural population is an important priority. Cross-border cooperation on water resource management and hydropower requires more attention.

Rangeland, forest and bio diversity

Roughly 45% of the Afghan territory consists of alpine rangelands, the backbone of a significant livestock production sector as well as providing support to fragile and depleted, but biologically highly valuable wildlife population. Many of the rangelands are in poor condition due to overgrazing as a result of the persisting economic marginalisation of the farming and livestock keeping communities. It has caused increased soil erosion and continues to hamper the required vegetative regeneration. The practise of uncontrolled felling of trees, accelerated during the Taliban regime has reduced the already low forest coverage to around 1 million hectare (2% of the surface). Apart from the high range mountain forest characteristic for parts of the east, elsewhere little is left of the scarce tree coverage such as the vast pistachio and other shrub-type vegetations. A modest start has been made by the National Environmental Protection Agency (NEPA) and the Ministry of Agriculture, Irrigation and Livestock (MAIL) to promote conservation of eco-systems in Bamiyan province and a trans-boundary initiative in the Wakhan corridor.

Land use, agriculture and soils

The sharply rising population, the destruction of irrigation and frequent droughts have reduced the arable land per capita of 0.55 ha in 1980 to 0.25 ha in 2007. The pressure on cultivated areas has also put further pressure on the grazing land and the Kuchi nomadic people, exacerbating their impoverishment and fuelling the civil conflict. About 16% of Afghanistan's land area is severely affected due to anthropogenic activities and the country's vulnerability to desertification is one of the highest in the world. Also only 12% of the land area is suitable for cultivation in Afghanistan. The shortcomings of agriculture and lack of economic alternatives in rural areas pose a permanent threat of mass migration to the cities.

Natural disaster and climate change

Poverty and socio-economic pressures, such as migration, unemployment and land tenure practices have made Afghans more vulnerable by forcing them to live in disaster-prone locations, often on unsafe land and in unsafe shelters or low-cost dwellings. Since the country is located in a zone of high-seismic activity, earthquakes are common. Flooding and mudslides are real dangers in the mountains and valleys, particularly in spring and summer when snow starts melting or glaciers lakes suddenly burst causing destructive flash floods. Prolonged drought, dust storms and extreme winter conditions can also wreak extensive damage. These factors add to the burden of environmental degradation thus placing additional stress on ecosystems.

Global climate change and its impact on the environment is expected to worsen Afghanistan's predicament. Under Afghanistan's National Adaptation Plan of Action for Climate Change, it was decided that the priority for facilitating adaptation to climate change was improved water management and efficiency of use, and land and water management at the watershed level. Other priorities include agro-metrological observations, horticulture and agro-forestry, adaptive rangeland management, and terracing and erosion control. NEPA is the lead agency on climate change and the focal point in the preparation of the Afghan Delegation for the Climate Change Conference in Copenhagen end of 2009.

Environmental governance framework

Since 2001 significant progress has been made in putting in place instruments to reduce the pace of degradation of the natural resource base through the establishment of a nascent environmental governance structure and the development of appropriate policy, laws and other tools to enable effective management of environmental resources. The National Environmental Protection Agency (NEPA) was established in 2005 as Afghanistan's policy-making institution, tasked with regulation, coordination, monitoring and enforcement. The Natural Resources Directorate of the Ministry of Agriculture, Irrigation and Livestock is in turn responsible for management of many of Afghanistan's important natural resources, including rangelands, forests, protected areas, wetlands and upper catchment areas.

Through support from UNEP¹⁴ and with funding from the EU, new polices and laws have been developed which empower these institutions, including the Environment

¹⁴ http://www.unep.org/publications/contents/title_search.asp?search=afghanistan

Law, Forest Law, Rangeland Law, Environmental Impact Assessment Regulations, Protected Areas Regulations, and national policies addressing forestry, rangeland management, environmental impact assessment and pollution control. Capacity building initiatives to effectively implement and enforce these regulatory instruments are ongoing. Afghanistan's first State of Environment Report and National Environmental Action Plan have also been developed. Additionally, significant progress has been made with regard to meeting Afghanistan's international obligations under various international conventions.

Parallel initiatives have been taken to pilot implementation of the policy approach at the local level, especially through community-based natural resource and protected areas projects and various local level environmental restoration projects. Environmental coordination forums, to improve environmental mainstreaming, have been developed and are now fully functional, including the Committee for Environmental Coordination and National Environmental Advisory Council. Apart from the UNEP, other key actors include FAO (natural resource management, especially forestry, rangeland and medicinal plants), UNDP (land degradation and capacity building), International Centre for Integrated Mountain Development (ICIMOD; natural resource management capacity building), Wildlife Conservation Society (WCS) (protected areas and wildlife), and various USAID implementers, including the PEACE project (Kuchi and rangeland issues).

Annex 6 Migration Profile

Refugees

During Afghanistan's almost thirty years of conflicts, including the anti-soviet jihad, the civil war, the rise of the Taliban and the US-led intervention, the number of refugees - mainly to neighbouring Pakistan and Iran - has been extremely high. The repatriation of over 5.6 million Afghans since 2002 until December 2008 (3.5 million from Pakistan and 860,000 from Iran), of which 4.3 million with UNHCR's¹⁵ assistance, has been the largest ever UNHCR assisted voluntary repatriation programme. However, as of December 2008, around 2.65 million registered Afghan refugees continue living in Pakistan (1.7 million) and Iran (950,000). A majority of these refugees are now in their second or even third generation of displacement and have never lived in Afghanistan.

Iran is officially host to slightly less than a million Afghan refugees. This figure however only includes refugees who have participated in the government updating registration exercise held in 2006-2007. If new arrivals, undocumented refugees and labour migrants are included, the figure may well rise to roughly two million. Similarly the actual number of refugees in Pakistan is also thought to significantly above the officially registered numbers. Apart from children, disabled and elderly that often were unable to be physically present at the location of registration, others are known to avoid the exercise out of fear of persecution and/or deportation if their presence be officially recorded. A number of Afghans have also acquired Pakistani national identity cards and are unlikely to register since that would result in the loss of their Pakistani citizenship.

Networks and mobility

Solidarity networks, composed of family members, friends and other contacts extending across one or several countries, are vital to Afghan mobility. These networks generally stem from kinship and qawm, or tribal affiliations, but are not necessarily mono-ethnic. Based on mutual trust and obligations contracted over generations, they constitute a powerful social and economic support system. During the decades of civil war, Afghans had relied extensively on these networks to migrate locally, regionally or internationally. Families fleeing their homes sought the assistance of their qawm to seek refuge in the neighbouring valley and, if problems persisted, to settle in Afghanistan's urban areas or in an asylum country. The location and prior migratory routes of these solidarity networks often determined where migrants went: Pashtun tribes continued seeking the hospitality of fellow tribesmen across the Durand Line in NWFP and many Hazaras continued to go to Balochistan's capital Quetta or to Iran. Families from the same qawm thus often settled in the same neighbourhoods or camps and maintained close ties even when they were dispersed geographically.

Just as they provided assistance in exile, these networks also facilitate reintegration by helping refugees resettle in their original communities. Some, particularly in Pakistan, are able to visit their relatives at home to assess the feasibility of returning to their home province. As the insurgency escalates and living conditions fail to improve, particularly in rural areas, Afghans within the country and in exile can tap the

¹⁵ <http://www.unhcr.org/cgi-bin/texis/vtx/page?page=49e486eb6>

information, shelter and livelihood opportunities that such networks provide in Kabul, Mashad, Peshawar or even as far away as Dubai and London.

Economic motivation

By living throughout the region, Afghans can make use of a variety of economic opportunities while benefiting from differing living costs. For instance, since salaries are higher in Afghanistan and living costs lower in Pakistan, a number of refugees come to work in Afghanistan's towns, leaving part of their family in Pakistani cities. Similarly, as the wages for unskilled labour are higher and living costs lower in Iran than in Afghanistan, Afghan families, facing Iranian state repression and discrimination, return home while leaving their young men behind to work. For these reasons and due to the failing security situation, a large number of refugees abroad have therefore no intention of returning to Afghanistan.

As international efforts focus on the worsening insurgency in Afghanistan, the issues of refugee return and the mobility of Afghans in their country and around the region have been overshadowed. Meeting the needs of returnees and addressing population movements remain an essential part of finding a solution to the conflict. These issues must be better integrated into policymaking. They play a role in many of the sources of discontent that undermine the legitimacy of the government in Kabul – from land disputes to rising crime. Since young, displaced and unemployed men are particularly vulnerable to recruitment to the insurgency, the needs of a fast-growing poor and largely marginalised population must be urgently addressed.

With the rural areas increasingly insecure, many returning Afghans have migrated to towns and cities, causing rapid urbanisation that has contributed to rising poverty, unemployment and criminality. Kabul's population has tripled in barely seven years. Moreover, as Afghans attempt to resettle in their home provinces or migrate to the country's more secure and economically productive zones, land disputes risk sparking deep-rooted tribal, ethnic or sectarian violence.

Policies and governance

The three responsible Ministries – Foreign Affairs, Labour and Social Affairs, and Refugees and Repatriation – continue to be affected by years of weak leadership and management, under-investment, and limited human, technical, and financial resources. These constraints place the Government of Afghanistan at a disadvantage when negotiating with its regional neighbours on population movements. Nevertheless, Afghan officials have showed more consistency in applying the core principles underlying voluntary repatriation.

While it struggles to ensure sustainable returns, the UNHCR faces mounting pressure from Iran and Pakistan, the main refugee hosting states, to maintain high repatriation figures. However, UNHCR will be unable to resolve the refugee problem on its own. Broader efforts to address Afghan displacement are urgently needed that extend beyond a purely refugee/IDP (internally displaced persons) framework. Responsibility of meeting returnees' needs must also be delegated to a range of UN agencies and Afghan government actors and ministries.

The prolonged refugee presence and the persistence of unchecked cross-border movements have increased Pakistan's and Iran's leverage over their neighbour.

Moreover, migrants and terrorist networks often using the same transport routes, makes it difficult to distinguish insurgents from migrants. As Iran and Pakistan toughen their stance, the threat of mass deportations strains Kabul's relations with both countries. If carried out, such deportations would further destabilise a fragile state.

On 21 April 2007, Iran sparked a political crisis in Afghanistan through a sudden, large scale deportation of unregistered Afghans. An estimated 52,000 Afghans were expelled from Iran between April 21 and May 8. The crisis sparked an intervention at the highest political level and resulted in two ministers (Foreign Affairs, Refugees and Repatriation) being censured by the Afghan Parliament due to their handling of the situation. Paradoxically, the deportation crisis did raise the profile of the refugee issue and gave it greater prominence on the national, regional and international agenda. It also prompted the Iranian government to make an offer of 300,000 work/resident visas for predominantly (registered) Afghans. Progress with respect to institutional development was achieved during the project period.

Cross-border mobility will continue regardless of any attempts to curtail it. Efforts to improve security within Afghanistan and in the region must therefore integrate internal and cross-border population movements. The governments of Afghanistan, Pakistan and Iran must explore legal and political channels to liberalise and enable regional mobility, which would facilitate administrative control of cross-border movement and reinforce their capacity to control their populations and their territories. For such approaches to succeed, however, they must be strongly endorsed by the international community and made an integral part of peace building in the region.

In Afghanistan, the political context is set by the Bonn Agreement, the Afghanistan Compact agreed at the London Conference on Afghanistan in 2006, the Afghanistan National Development Strategy (ANDS) launched at the Paris conference in June 2008, and the International Conference on Return and Reintegration that took place in Kabul in November 2008. The ANDS contained a chapter on Refugee, Returnees, and IDPs. It articulated a vision and policy objectives for the Government of Afghanistan premised on the greater involvement of line Ministries to contribute to key sectors – education, health, livelihoods, training, water and sanitation – affecting sustainable reintegration.

Work on return and reintegration with the Governments of Afghanistan, Iran and Pakistan has primarily been conducted within the legal and operational framework of the respective Tripartite Agreements governing the voluntary return of Afghans. During 2008, there was one Tripartite meeting with Iran (03 March) and two Tripartite meetings with Pakistan (28 March and 29 August). An extension of the Tripartite Agreement, governing the voluntary repatriation of Afghans, was signed in August 2007 between UNHCR and the Governments of Pakistan and Afghanistan and is valid until 31 December 2009. Following the registration exercise in Pakistan, Afghans holding Proof of Registration (PoR) cards were granted the right to remain in Pakistan for a three-year period (2007-2009). A letter of mutual intent has been exchanged with the Government of Pakistan signalling in principle an agreement to extend the validity of the registration document up until 2012.

Legal migration

Afghan mobility should however not be perceived solely as a source of conflict and instability. Internal and regional mobility has enabled families to diversify their sources of income. Remittances from Afghans living overseas are essential to the economy, given the difficulty of the Afghan state to provide basic services to many parts of the population. The contribution of returning refugees to reconstruction and development through skills acquired in exile is also significant and should be facilitated further through national reconstruction and development programmes. In 2008, an agreement signed with Qatar, resulted in the licensing (and monitoring) of additional private recruitment agencies. Similar agreements are under negotiation with the United Arab Emirates and Saudi Arabia.

Annex 7 Governance Profile

General Assessment

The Bonn Agreement¹⁶ established a roadmap for the political transformation of Afghanistan to a legitimate democratic state. It derived its authority through an Emergency Loya Jirga, the first genuinely representative Afghan national meeting in decades. In 2004, Afghanistan adopted its first constitution in 30 years, which laid the political and development foundation for the country and established legal protections for private property and a market economy.

Emerging from decades of conflict, Afghanistan faces a complex, interrelated set of political, administrative, economic, and social challenges. In 2002, the Afghan Interim Authority took over a public administration that was highly centralized in terms of its structure, but which was denuded of infrastructure, human capacity, and financial resources, and had non-existent or very weak ties with its provinces.

One of the ongoing difficulties with state-building in the Afghan context is the weakness of legislature and the judiciary vis-à-vis the executive and, within Parliament, the absence of a legal culture and procedural traditions. Moreover, the high level of impunity remains a problem. The recent high numbers of fraudulent votes in the election exercise and a culture of impunity have disillusioned the population and is a continuing source of instability.

Political Situation

Afghanistan's first democratic election¹⁷ was held on 9 October 2004. President Hamid Karzai won, after having acted as the head of state for the interim administration since 2001¹⁸. Now, in 2009, after five years in power, Karzai's legacy is mixed. His administration is widely criticised for not having done enough to tackle corruption, for creating a political atmosphere of impunity and for not putting enough emphasis on institution building. However, many have applauded him for appointing a cabinet made up of mainly technocrats i.e. largely devoid of warlords.¹⁹

On 20 August 2009, five years after Karzai was first elected, and after a prolonged debate about the applicable date²⁰, a second democratic national election (combined with the provincial council elections) took place in Afghanistan. These elections were

¹⁶ In December 2001, a number of prominent Afghans met under UN auspices in Bonn, Germany, to decide on a plan for governing the country; as a result, the Afghan Interim Authority (AIA) - made up of 30 members, headed by a chairman - was inaugurated on 22 December 2001 with a six-month mandate to be followed by a two-year Transitional Authority (TA), after which elections are to be held.

¹⁷ In 1949 the first relatively free (or "less controlled") **elections** to the National Council under Prime Minister Shah Mahmud was held. A "Liberal parliament" was formed, in which opposition groups were allowed to function. In 1952 the second set of **elections** under Shah Mahmud took place. They were not as open as the first as tension rose due to the strength of opposition groups and critiques of the government.

¹⁸ Karzai had actually been in power already since 2001 when he was appointed the head of the Interim Administration.

¹⁹ The only exception is Ismail Khan, a former militia leader and former Governor of Herat.

²⁰ Under the 2004 constitution, elections should have been held no later than 60 days before the end of President Karzai's term in July 2009. The Independent Election Commission (IEC) originally recommended that the poll be held at the same time as the 2010 parliamentary balloting to save costs. However, politicians in the country were unable to agree to the details.

once again strongly supported by the international community, but this time with Afghan institutions leading the process in the form of the Independent Electoral Commission²¹. If Karzai wins a second round he will have been in power for more than 12 years, longer than that allowed in any other presidential system.

The fragile political situation leading up to the elections further deteriorated with first the rumours and then the proof of extensive rigging. Moreover, coherent messages were lacking on all sides. For example, the public internal disputes within UNAMA concerning the way in which to tackle these allegations, led to the dismissal of the then leading electoral observer, the deputy SRSG.

In addition to patronage, ethnicity and religion play a role in the political system. The candidature of Karzai, a Pashtun, for example, foresaw vice-Presidential roles for Mohammad Qasim Fahim, a prominent leader of the Northern Alliance and of Tajik origin, and Karim Khalili of Hazara origin. Dr Abdullah Abdullah, Karzai's challenger for the second round, is half Pashtun and half Tajik although he is generally perceived to be Tajik rather than Pashtun.

Parliamentary elections are scheduled for September 2010. Hopefully they will work as a stronger check on the executive. In 2005, women won 28% of the seats in the lower house, six more than the 25% guaranteed in the 2004 Constitution. Nonetheless, women remain marginalized in the political process.

Although Afghanistan has around five major political parties²², the general situation is not conducive to party politics. This is partly due to Afghanistan's history of patronage and partly due to its electoral system of Single Non Transferable Vote (SNTV), whereby a person, not a party is elected.

Legal Framework

The Afghan Constitution provides for a presidential form of government with a bicameral (*Wolesi and Meshrano Jirga*) national legislature and gives equal rights to men and women.

Since 2005 the national assembly has introduced a number of governance related laws, including the Media Law, the Civil Servants Law, the NGO Law, the Anticorruption Law and the Personal Shiite Law. There a couple of laws pending that specifically address the concerns of women in Afghanistan, including the Law on the Elimination of Violence against Women. However, the legislative process is cumbersome and the process is often subject to disputes between the institutions involved.

²¹ According to Article 156 of the constitution of Islamic Republic of Afghanistan, the Independent Election Commission (IEC) has the authority and responsibility to administrate and supervise all kind of elections; as well as refer to general public opinion of the people, in accordance the provision of the law. The IEC consists of nine members, including a chairperson and a deputy chairperson, appointed by Presidential Decree No.21, dated 19 Jan 2005.

²² Major political parties include the following: The Islamic Unity Party of Afghanistan, The Islamic Society of Afghanistan, The Afghan Social Democratic Party, The Islamic Party of Afghanistan, National Islamic Movement of Afghanistan.

The single most powerful tool the government has is a presidential decree. In addition, 'by laws' are sometimes put in use.

It is to be noted that Afghanistan has ratified a number of international laws, including the CDAW, ICCPR, ICESCR, and CAT.

Executive and Legislative Structure (national and sub-national)

National

The administrative structures of the Afghan state as described in the constitution pivots on the idea of a strong central state. Fiscal authority is only given to the national authorities at the central level and some fiscal autonomy is provided on municipal level²³. The central government is represented at the provincial level through the line ministries. This leads to a *de jure* limited role of the provincial governor who himself is appointed by the Ministry of Interior (IDLG respectively). However, the *de facto* influence and decision making power of the governor depends on his political affiliations.

The House of the People (*Wolesi Jirga*) consists of 249 directly elected delegates. Amongst the elected officials in 2005 were former Mujahedeen, Taliban, communists, reformist and Islamic fundamentalists. This has resulted in fragmented politics in the lower house and considerably slowed down transitional justice.

The Afghan Administration is currently undergoing a transformation from an informal patronised system to a formal meritocracy system. Most consider the size of the administration (around 310,000 including teachers) appropriate considering the size of the population and in comparison to the neighbouring countries. In 2008 the Civil Servants Law introduced a new 8 grade structure which should reform the old 12 grade structure introduced during the Soviet occupation.

The new grading would ideally attract, retain, and motivate skilled civil servants and ensure that they are fiscally sustainable. Merit-based recruitment procedures are politically accepted, yet the current system continues to suffer due to patronage and kinship influencing appointments. In addition mechanisms for performance based management is limited. Despite some progress the reform is slow and cumbersome. The *de facto* limited delegation of authority to lower ranks or provincial departments exacerbates this problem.

The Independent Administrative Reform and Civil Service Commission (IARCSC) was established by Presidential Decree in 2002 and is mandated to oversee the Public Sector Reform. A distinction has to be made between Public Administration Reform (PAR) and Civil Service Reform (CSR). Public Administration Reform includes CSR and refers also to the transformation to a new public sector management. The mandate of the IARCSC is ambiguous and focuses primarily on CSR. There are serious concerns about the absorption and management capacity of the IASRCSC and the ability to provide leadership in a coherent and timely manner. The first generation of PAR reforms has been the Priority Reform and Restructuring process (PRR) which has been followed by Pay & Grading reforms. The effective impact to date of these

²³ Municipalities are only limited to urban areas.

reform efforts on actual civil service performance is unclear, as is the tangible impact of (numerous) civil service training initiatives.

Sub-National

The creation of the Independent Directorate for Local Governance (IDLG) in September 2007 through a disputed Presidential Decree was the first major step in reform of the sub-national governance system. The competences of the Office of Administrative Affairs (presidential administration) and the civilian part of the Ministry of Interior were transferred to this new body. The new body was charged with 'managing' Governors and also leading a process of structural reform/institutional development. IDLG initiated a draft sub-national governance policy with the help of inter-ministerial committees.

The 34 Provincial Councils (PC) in Afghanistan are the only directly elected formal local body. Its role depends largely on the incumbent Chair and his or her relations with the Governor in the Province. Although the PC is expected to play a key role once the policy is adopted, it is currently under-resourced and largely marginalized by other key actors at the sub-national level. The members of the provincial councils have a direct impact on the make-up of the parliament, the National Assembly, as each of the 34 councils selects one delegate to send to the 102-member upper chamber (Meshrano Jirga) of the National Assembly. Moreover, according to the constitution, an additional one-third of the Upper House is to be selected from the members of district councils. However, Afghanistan has yet to organize district council elections (scheduled for 2010) and there remain a myriad of political and operational questions to be answered before that. Since the District councils (DC) do not yet exist, the cabinet has decided to fill the DC linked seats in the Upper House temporarily with additional representatives from the provincial councils.

The provincial and district governors are appointed by the President, with support from the IDLG. They play a key role, including the chairing of the Provincial Development Councils (PDCs), where all development funds are managed. Moreover, the governor has significant authority over the police in the province, and direct authority over the district governors. It is commonly understood that the directors of provincial line departments have a dual reporting line – to their ministry in Kabul and to the provincial governor. This gives the Governor significant power at the sub-national level.

In addition to the formal institution there are many non-statutory bodies and informal governance institutions in Afghanistan. The former includes the Community Development Councils (CDCs), the District Development Assemblies (DDAs), provincial development councils (PDCs) and the latter the shuras, jirgas, mirabs, maliks, manteqas and ulemas. These institutions continue to play a key role at the sub-national level where governance is as likely to be sought from traditional tribal structures or in some areas from the insurgents. This most likely reflects the absence of a state alternative rather than a deliberate choice.

Security and Military Forces

NATO's main role in Afghanistan is to assist the Afghan Government in exercising and extending its authority across the country through its UN-mandated International

Security Assistance Force (ISAF). Since NATO took command of ISAF in 2003, the Alliance has gradually expanded the reach of its mission, originally limited to Kabul, to cover Afghanistan's whole territory. The number of ISAF troops has grown accordingly from the initial 5,000 to around 70 000 troops coming from 42 countries, including all 28 NATO members. The largest contributor to ISAF is the US with 35 000 soldiers. ISAF is being complemented by Operation Enduring Freedom, which is directly operated and led by the US CENTCOM.

Security incidents involving Armed Opposition Groups have increased from around 200 per month in 2006 to over 800 per month this year. Whereas initially the insecurity was concentrated in the South and East of the country, several areas in the North and West are now also increasingly affected by the war.

Rule of Law

Justice is denied to the majority of the Afghan population due to a weak, corrupt and dysfunctional judicial system and wide recourse to traditional dispute-resolution mechanisms which do not comply with due process requirements and falls short of internationally accepted standards. Despite the fact that there has been some progress, such as the establishment of a State-funded legal aid system and the Afghan Independent Bar Association (AIBA), the Afghan justice system continues to have severe and systemic problems. The justice system still lacks sufficiently qualified officials, adequate legal education, and the necessary administrative tools and physical infrastructure to administer justice properly, fairly or effectively. The lack of adequate detention and correctional facilities and the illegal detention of individuals especially women and children continues to raise serious human rights concerns.

The contemporary formal legal order in Afghanistan is mainly based on a combination of sharia (Islamic law), customary (jirgas and shuras) and civil law. It is partly modelled on the Egyptian legal system, which itself is influenced by Western (mainly French) conceptions of legality and a moderate version of sharia.

For the majority of Afghans, disputes are settled, if at all, at the local level by village elders, district governors, clerics, and police chiefs.

The International Police Coordination Board (IPCB) and the Law and Order Trust Fund for Afghanistan (LOTFA) have brought essential coordination and cooperation mechanisms, however all parties engaged still appear to be influenced by their own policies. The Afghan government seems to lack a concerted effort in creating the essential backbone of a trustworthy police force and far too often resorts to informal mechanisms. The Afghan National Police is currently performing tasks that lie traditionally with the army particularly in Counter Insurgency (COIN) activities. The essential civilian policing parallel mechanisms such as public prosecution services, proper functioning court system, detention systems and re-education/re-integration mechanisms are not in place. Neither are the required democratic mechanisms such as the ombudsman and a country wide functioning independent investigative press/media.

The current Afghan Police Force Manning List (Tashkeel) provides currently for a police force of 96 800. There is a strong initiative led by the MOI and the US led "Combined Strategic Transitional Command- Afghanistan (CSTC-A) to increase the

size of the ANP to 160 000. However, since there is currently no security sector strategy in place clearly defining the division of roles and responsibilities between the ANP and the ANA, such an increase bears the danger of police being increasingly used in counterinsurgent activities.

Despite a recent reduction in poppy cultivation, Afghanistan still provides more than 90 % of the world production of Heroin. The most effective approach in counter-narcotics has proven to be a mixture of law enforcement (government presence, policing, rule of law) and the provision of concrete incentives (GPI, food zones, targeted ALI interventions). The challenge is to balance these different components in the most effective way. UNODC continues to be the major stakeholder in coordinating different initiatives and taking the lead in the policy debate.

There is an existent lack of coordination between the relevant Afghan stakeholders at the border (Border police, Customs, Ministry of Commerce and Industry). Customs operations need to be properly financed through a separate budget and political interference of the MOF in the allocation of leading positions in the ACD needs to be addressed.

Human Rights, Gender and Minorities

Gross human rights violations remain a serious problem in Afghanistan where a culture of impunity prevails. This is manifested in the lack of political will to advance the transitional justice process to address past abuses as well as the absence of accountability for current human rights violations. There has been a substantial increase in civilian casualties due to the escalation of the armed conflict during 2008 and 2009 which has led to further erosion of humanitarian space. Other negative developments include the ongoing attacks on freedom of expression, particularly in relation to media and human rights activists.

The discrimination and marginalisation of women and of certain minorities remain one of the long-standing and unresolved human rights issues in Afghanistan. Women continue to face discriminatory practices and legislation, such as the Law on Personal Affairs of the followers of Shia Jurisprudence. Of particular concern is the prevailing practice of violence against women and girls in various forms such as rape, “honour killings”, forced marriage and sexual abuse in detention. The justice system reinforces this violence by criminalising female victims. The Kuchis continue to face discrimination even though under Article 14 of the Constitution the Government is obliged to improve their economic, social and living conditions

Corruption

Corruption in Afghanistan is very much characterised by informal networks that operate in a highly coordinated manner and lead to preferential treatment by customs and other government officials. The 2005 World Bank Investment Climate Assessment has ranked corruption as the third largest barrier to business in the country (after electricity and access to land). Traditional forms of corruption based on patronage networks and tribal linkages as well as new forms of corruption, such as the bribe-extracting mafias, are increasingly being institutionalized. The Karzai government’s apparent inability (or unwillingness) to take a hard stance on corruption has both undermined its legitimacy, in addition to negatively effecting confidence

building in the public sector. A survey conducted by Transparency International in 2009 indicates that corruption outranks even security in terms of the biggest challenges for the Government to tackle in the near future. According to the Corruption Perception Index of Transparency International, Afghanistan ranked 179 out of 180 countries²⁴. The World Bank's latest report on fighting corruption in Afghanistan was published in May 2009 and contains a summary of vulnerabilities to corruption assessments (VCAs).

²⁴ For more details see :

http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table

Annex 8 Multi-Donor Trust Funds

In Afghanistan the international donor community continues working through Multi Donor Trust Funds (MDTFs) to pool resources. Although significant progress is made, the public finance management capacity, especially in line ministries remains significantly weak to consider the application of direct transfer of resources into the Government budget a viable alternative to be adopted on a larger scale.

The Law and Order Trust Fund for Afghanistan (LOTFA) finances around 26% of the total operating expenditure in the area of security. The Afghanistan Reconstruction Trust Fund (ARTF) finances through its Recurrent Cost Window (RCW) about 30% of operating expenditure in non security related areas and through the Investment Window (IW) about 20% of the public investments.

The Afghanistan Reconstruction Trust Fund

The ARTF, established in 2002 and with a formal funding horizon till 2020, provides a mechanism for coordinated funding of operating and development expenditures in line with agreed priorities of the GoA. Additional specific objectives of the ARTF are to: (i) help reinforce the national budget as the vehicle for promoting alignment of the reconstruction program with national objectives; (ii) promote transparency and accountability of reconstruction assistance and (iii) reduce the burden on limited government capacity, while promoting capacity building over time.

Governance structure and management

The World Bank acts as the administrator of the Fund. It monitors the Fund's performance, assures that funds are disbursed in accordance with acceptable fiduciary standards and to priority activities in line with policies set by GOA and agreed to by the donors.

The Management Committee (MC) is responsible for reviewing progress and taking key decisions, including the approval of investment projects proposed for ARTF financing. The Ministry of Finance is now a full member of the MC. The Steering Committee (SC) consists of the MC members, donors that contribute a minimum of USD 5 million annually, plus an additional two seats are reserved for the smaller donors on a rotational basis. An external Monitoring Agent (MA) controls the eligibility of reimbursement claims.

Contributions

Donor contributions have increased successively over the years, with new donors joining and already existent donors increasing their level of contribution. From its inception in 2002 to the end of Solar Year (SY) 1387 - March 20, 2009 - the donors have contributed a total of EUR 2.75 billion. The EU and the EU MS are jointly the largest contributors, with over 60% of the total contributions (EUR 1.37 billion). The EU alone has contributed since the beginning of the operations almost EUR 280 million. Donors may "prefer" a certain portion of their contributions towards a particular area .EU and the EU MS have followed the general trend towards an increasing "preferencing" of their contributions.

Commitments and payments: the Recurrent Cost Window (RCW)

Increasing operating costs across the government implies that the RCW accounts for a declining share of the overall budget. Nevertheless, the RCW still finances around one third of the non-security operating expenditure. Donors have recently voiced concerns over the sustainability of the ARTF, in light of the sharp increase of the GOA operating expenditure and repeated postponement of fiscal sustainability. In December 2008, donors and GOA endorsed the ARTF Incentive Program, which was intended to strengthen the policy dialogue and support provided by the RCW, by making available an increasing share of the funds conditional on the attainment of a set of quantitative and structural indicators.

Commitments and payments: the Investment Window (IW)

The IW has in the last two years increased significantly in volume and in scope – mainly due to increased level of donor contributions. In the last two years investment commitments have exceeded recurrent cost commitments. Decentralised and national rural development programs, such as NSP and Microfinance, have been strongly supported by the ARTF and these have been rapidly scaled up, ensuring strong disbursement. Other expanding areas that attract donor funding include the education sector, capacity building and justice sector reform. Power and urban development (including roads and water and sanitation) have been supported by ARTF without preferences being received from donors.

Performance and assessment

The ARTF has successfully mobilised the necessary resources from a wide range of donors, within a comprehensive governance structure. The RCW has allowed the GOA to meet the needs of increasing non-security operating costs, while the IW has supported the provision of key public services across the country.

Two successive external evaluations have also concluded positively on the impacts of the ARTF, both in terms of capacity building, spill-over effects on the PFM and the wider benefits to the Afghan population. This positive picture is further reinforced by the positive Public Expenditure and Financial Accountability (PEFA) assessment and the Administrator's review based on the indicators-based Performance Assessment Matrix.

Current challenges and way forward

The policy of permitting donor preferences has ensured continued donor support, but is posing a challenge in terms of flexibility and alignment with the beneficiary. On the other hand, "un-preferencing" is becoming a difficult issue for the EU and other donors. Visibility and decision making concerns also need be addressed as the ARTF is regrettably perceived by the Afghan authorities and the public as a WB instrument. Moreover ARTF has the tendency to top-up projects already receiving WB funding. More efforts are required to better coordinate in particular among the EUMS and European Commission in their pursuance of their continuous dialogue with the WB and with the other donors. The success achieved with the Incentive Program which effectively responds to EU concerns about sustainability is a clear example of such an approach. To conclude, given the current Afghan context, recourse to ARTF remains a good option, which, however, should not stop initiatives to further evolve it adopting sector wide approaches.

The Law and Order Trust Fund

The LOTFA, established in 2002 and prolonged through respective project phases (currently 5th phase till August 2010) coordinates contributions with the main purpose to cover police salaries (priority 1). Additional priorities of Phase V are (2) Institutional development; (3) Procurement, maintenance and operations of non lethal police equipment and supplies; (4) Rehabilitation, maintenance and operations of police facilities; (5) Gender Orientation; and (6) Payment of uniformed personnel employed by the Central Prisons Department.

Governance structure and management

The United Nation Development Program (UNDP) is the administrator of the fund and oversees the quality, quantity and timeliness of progress towards the delivering of intended results.

The SC is the group responsible for the executive management decisions. It is chaired by the Ministry of Interior (MOI) and it includes MOF, UNDP, the United Nations Assistance Mission in Afghanistan (UNAMA) and all LOTFA donors. The implementing entity is the GoA through its designated institution, the MOI, which retain final responsibility for the achievement of results. Similarly to the ARTF model, UNDP has since the beginning of Phase V contracted an independent Monitoring Agent (MA) to monitor and review disbursements, payments of police salaries (and food allowances), accounting and reporting of LOTFA activities.

Contributions

Donors contribute funds into a single account administrated by the UNDP. The size of the contributions to LOTFA have increased exponentially over the past 7 years, going from about EUR 7.5 million in 2002 to over EUR 228 million in 2009. Of the EUR 734 million contributed to LOTFA so far, 38% come from the European Commission and EUMS, and 26% (i.e. over EUR 195 million) by the European Commission alone. This makes the EU the second largest contributor to LOTFA, after the USA (36%). Other large contributors are Japan (which contributed \$125 million to LOTFA in 2009), the Netherlands, Germany and the UK. Although LOTFA allows for the outright earmarking of funds for specific priorities other than priority 1, the European Commission has so far refrained from earmarking of funds.

Commitment and payment

Transfer takes place through quarterly reimbursements of eligible expenditure or through direct payments agreed by implementing partners or contractors. The execution rate of priority 1 has historically been very high, given the recurrent nature of the reimbursements. The execution rate in other priority areas has been lower, even though with little impact to the overall performance given that the total share in spending has also remained marginal

Performance and Assessment

The Fund has made some significant progress in ensuring that an effective mechanism is established for reliable payment of salaries. The Electronic Payroll System (EPS), which allows identification of individual policemen, has developed and 85% of policemen payrolls are being generated by EPS. The Electronic Fund Transfer (EFT) further ensures that the individual policeman receives his salary on his specific bank account. After a slow start, EFT implementation has made significant progress in the

recent months, and now 62.1% of individuals are receiving their salaries through EFT. The combination of EPS, EFT and the new identity cards for policemen contribute as a system to significantly increasing the transparency in LOTFA financial transactions.

Current challenges and way forward

Despite the positive achievements, there are number of constraints that detract from potential benefits offered by LOTFA: (i) the annual planning framework, (ii) the limited interventions in institutional capacity building and (iii) the ongoing focus by donors on bilateral measures at expense of multilateral initiatives.

The EU has managed reprioritise LOTFA's activities, upgrading institutional development and including for the first time a number of specific benchmarks concerning an electronic payroll system.

The lesson learnt with the design of Phase V is that an intervention as significant as LOTFA, which touches on development, security and justice issues in a challenging "fragile state" context cannot be passively administered.

Yet one of the greatest concerns for the EU is the long-term sustainability of the ANP. The continuous expansion of the ANP has so far been matched by increasing contributions to the Fund. Even in an optimistic scenario it will take several years before the GOA will be able to autonomously finance its police. It is important to further evolve the support to LOTFA in conjunction with the overall reform of the police.