

Ministry of Foreign Affairs – (Embassy Kabul & Department for Asia, Latin America and Oceania – ALO)

Meeting in the Council for Development Policy 26 October 2017

Agenda item 3

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| 1. Overall purpose | For discussion and recommendation to the Minister |
| 2. Title: | Country Policy Paper for Afghanistan |
| 3. Presentation for Programme Committee: | 10 October 2017 |

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A. Introduction

Denmark continues to have a strong interest in and is committed to working with Afghanistan, which is defined as a priority country in the strategy for Denmark's development and humanitarian cooperation.

Since the engagement started in 2001, Denmark's official partnership with Afghanistan has been based on four pillars: political dialogue, security, development cooperation and humanitarian assistance. Denmark has made considerable investments, including approximately DKK 4.5bn in official development assistance, as well as the deployment of Danish soldiers. Denmark has contributed to Afghanistan's development e.g. access to healthcare has increased from 9% of the population to more than 57%, life expectancy has increased from 44 to 60 years, maternal mortality has dropped by around 80%, school enrolment has increased more than 10 times so that more than 50% of the children now have access and an important security sector reform is under way.

The overall objectives remain valid, i.e. preventing Afghanistan from being a safe haven for terrorists, contributing to regional stability and creating a situation where Afghans believe in a future in their own country.

Despite broad international support and engagement, Afghanistan is still a fragile and conflict affected country, not least due to the continued presence of the Taliban and other armed groups, including terrorist groups such as Al Qaeda and Islamic State in Khorasan Province (ISKP). In 2015, the Afghan government was given sole responsibility for the security of Afghanistan and a drive towards self-reliance in all spheres was initiated. Despite progress on socio-economic indicators, significant challenges remain in building a path to a secure, stable and self-reliant Afghanistan, and the need for an Afghan-led and Afghan-owned development process remains undisputed. This also includes the efforts to pursue all possible solutions to the security crisis. In absence of stability and a secure environment there is a risk of a further worsening of the economic situation, an increase in migration to neighbouring countries and beyond (alt: Europe), as well as a deteriorating situation for internally displaced people and the creation of space for terrorist groups to operate in and out of Afghanistan.

Against this backdrop of continuing fragility, there is broad international agreement on the critical need for the international community to remain engaged in Afghanistan. Already in 2012, Denmark, as part of the international community, committed to remain engaged in Afghanistan in the so-called transformation decade until the end of 2024. At the NATO Summit in Warsaw in July 2016, Denmark pledged continuation of its military assistance and at the Brussels donor conference in October 2016, Denmark pledged its financial assistance until the end of 2020. The present Country Policy Paper outlines how Denmark intends to honour these pledges.

B. Denmark's partnership with Afghanistan; overall vision and strategic direction

Afghanistan and Denmark have signed a bilateral Strategic Partnership Agreement that describes the overall cooperation between the two countries. Once a year this is the basis for bilateral consultations where current issues are raised. The Strategic Partnership Agreement refers to issue-specific bilateral agreements on development cooperation, handling of prisoners and facilitation of the return of illegally present persons to their country of origin.

As part of a geographically differentiated foreign, security and development policy, Denmark gives special priority to further the UN's Sustainable Development Goals (SDGs). Therefore, Danish cooperation with Afghanistan will be aligned with the SDGs and with a particular focus on Goal 1 (eradicate poverty), Goal 5 (gender equality), Goal 16 (peace, justice and strong institutions) and Goal 17 (partnerships for action). Concrete interventions will also address Goal 2 (end hunger), Goal 4 (quality education) and Goal 8 (decent work and economic growth).

With the SDGs as a platform, Denmark's engagement in Afghanistan will be based on Denmark's strategy for development cooperation and humanitarian action "The World 2030" as well as the "Foreign and Security Policy Strategy" adopted June 2017. All four strategic aims of Denmark's development policy are relevant in the Afghan context: promotion of peace, security and protection; migration; the need for inclusive, sustainable growth; as well as improvement in the area of human rights, democracy and equal rights for women and men. The continued partnership with and support to Afghanistan will be based on four instruments: political dialogue, security, development cooperation and humanitarian support. To the extent possible and relevant, coherence among these instruments will be ensured to maximise impact.

For the period 2018-2020, Denmark will focus its engagement and cooperation with Afghanistan and international partners in a three pronged approach through policy dialogue, security and financial assistance.:

- 1) Promote issues such as good governance, accountability, anti-corruption, human rights and equal opportunities for women and men in Afghanistan as well as cooperation on migratory issues, including the readmission of Afghan citizens without legal permission to stay in Denmark through political dialogue.
- 2) Contribute to increased security and stability in Afghanistan through strengthening of the Afghan security forces.
- 3) Address humanitarian and development challenges, including those contributing to internal displacement and irregular migration from Afghanistan, through strengthening of the private sector, job creation and education as well as integration of refugees and IDPs into local communities.

C. Analysis of the situation in Afghanistan; opportunities, challenges and risks

The Security Situation

Afghanistan has been in a state of armed conflict for four decades and in the past few years the Afghan government has experienced a declining control of its territory. In 2016, the UN Assistance Mission in Afghanistan (UNAMA) reported the highest number of civilian casualties in Afghanistan since 2009, where systematic registration was initiated. In addition to the conflict and the lack of a negotiated peace settlement with the Taliban, an increased presence of ISKP is further destabilizing the security situation in parts of the country.

The security situation in Afghanistan is also affected by important and challenging regional dynamics, and further destabilised by factors such as high levels of poverty, a rapid population growth (3 per cent), rapid and largely unplanned urbanisation, high crime rates and significant production of illegal drugs. In addition, climate change could add to fragility as Afghanistan is frequently exposed to extreme weather incidents such as drought in some areas and flash floods.

In general, the limited institutional and management capacity of the government of Afghanistan is a serious impediment to improving the security situation, and capabilities for developing and sustaining the national security forces are equally weak and insufficient. The still limited ability to provide basic social services also weakens the citizens' support for the National Unity Government, and adds to the perception among many Afghans that state institutions are corrupt, partisan and inefficient, thus undermining popular support for the Afghan government. The risk of further weakening of governance in Afghanistan as a result of a breakdown of the National Unity Government or major insurgency gains in some provinces, while not highly likely at this point, cannot be fully excluded.

Afghanistan's challenges are exacerbated by significant humanitarian and developmental challenges arising from large numbers of returning refugees and migrants (approximately 800,000 in 2016), mainly from neighbouring countries, and a large and growing IDP population (1.2 million). Displaced populations and in many cases also affected local communities require both immediate humanitarian assistance and protection as well as support for longer-term reintegration, including access to services, economic opportunities, as well as land and housing.

The Economy

According to the World Bank Afghanistan will remain heavily resource constrained and aid-dependent through 2030 and beyond. Economic growth is sluggish and currently not keeping pace with population growth. Furthermore, 400.000 youth enter the labour force in Afghanistan every year according to the World Bank. Further reforms in support of private sector development – and improvement in the security situation – will be needed to spur private sector growth in key sectors identified by the government to be drivers of economic growth such as agriculture and mining. The transport sector also has significant potential and Afghanistan's location at the cross roads of South, Central and West Asia is the backdrop of the government's ambitions to turn Afghanistan into a regional transport and energy hub.

The World Bank's current economic projection forecasts real GDP growth rates to increase to 2.6 percent in 2017 and to reach 3.6 percent by 2020, predicted on political stability and improvements in the security situation. With a population growth at the current rate there will

only be negligible improvements in incomes and living standards with high risk of humanitarian needs, migration and fragility pressures arising from lack of economic growth and increasing unemployment. As the government does not have sufficient fiscal space and stimulus to boost growth, and the risk of seeing negative per capita growth remains in the short term, donor assistance will to a large extent be crucial for maintaining a reasonable level of social stability and continued state building for the coming years.

Afghanistan's trade balance is heavily import skewed with export revenues far from meeting import costs (approximately 90 % imbalance). The pressure on the government to increase exports and stimulate job creation will rise as donor support is expected to decrease in the coming years.

Corruption

Anti-corruption efforts in Afghanistan are still in the early stages, though some progress has been realized over the past few years as a result of strengthened institutions and increased political support. The current government has made it a priority and initiated some important measures. Widespread corruption, however, remains one of the key challenges for security, economic development and state building at large and progress is fragile and can only be maintained through sustained and increased efforts from civil society, government and international partners.

Women and Girls' Rights

The education sector has seen major advances not least in girls' school attendance and Denmark has contributed positively to this development. Getting more children, in particular girls, to attend school is vital to development and nation building. Girls' education is a key factor for the long-term empowerment of women in the Afghan society. However, as millions of children are still not receiving primary education, the need for continued support to the education sector is evident.

In the area of gender equality, there have been some improvements over the past few years. The inclusion of women, including in political and economic affairs is being addressed by the government through a number of National Priority Programs, such as the Citizens Charter programmes as well as through the Women's Economic Empowerment Program. Notwithstanding these improvements, the situation for women and girls in Afghanistan remains challenging in many areas. Human rights groups name Afghanistan as one of the most dangerous countries for women to live in. Physical, sexual and psychological abuse as well as forced marriages persist at large scale and a strong social inertia hampers necessary improvements in women's rights in Afghanistan.

Human Rights

According to the UN, the human rights situation in Afghanistan deteriorated in 2016 and into 2017. This is primarily caused by the continuing conflict where civilians to a large extent are being targeted by anti-government forces. It is, however, also a broader issue, including continued use of torture and other cruel, inhuman and degrading treatments in detention facilities.

On a positive note, freedom of expression and free media– as also protected by the Afghan constitution - are considered among the most liberal in the region. Although increased media diversity and a decline in legal harassment and censorship are positive signs, violence against journalists remains a concern.

D. Strategic objectives and key areas to be addressed in Danish-Afghanistan cooperation

The strategic objectives for Denmark's engagement are chosen on the basis of Danish foreign, security and development policies and Afghanistan's own development priorities as well as the experience gained from the previous^[1] Danish engagement in Afghanistan.

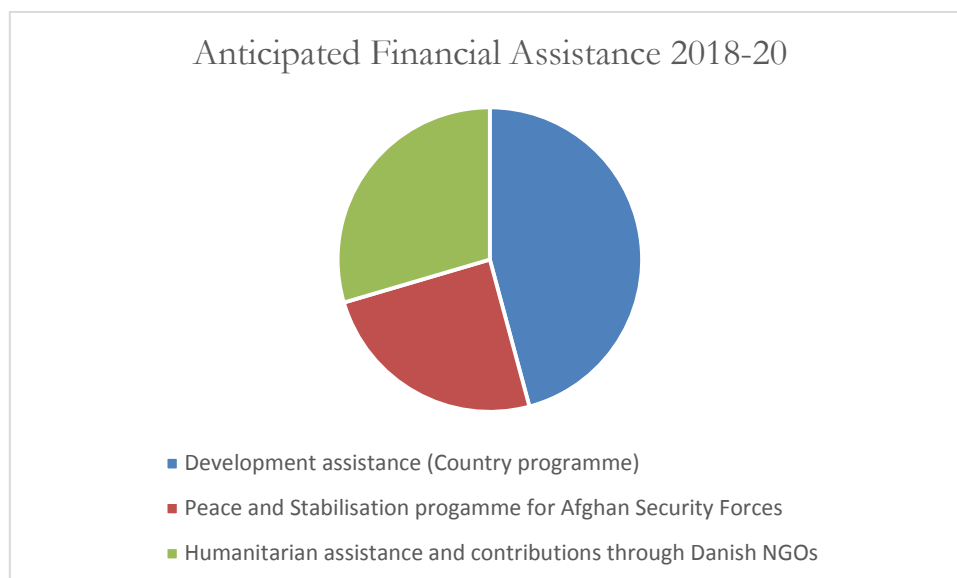
The Danish Country Programme for Afghanistan for 2018-2020 will form the basis of Denmark's development commitment and will be complemented by a Region of Origin Initiative in support of returning refugees, IDPs and affected communities, humanitarian assistance including a diaspora programme, a Peace and Stabilisation Programme to provide financial support to the Afghan security forces as well as Danish military assistance.

It is the ambition to create a closer coherence between humanitarian and development-oriented efforts in a peace-development-humanitarian nexus, so as to mutually reinforce each other and create the best possible results.

The stabilisation and development of Afghanistan depends on collaboration with other international actors. To be efficient, efforts need to be coordinated and aligned. Denmark will prioritize cooperation with the European Union (EU), the United Nations Assistance Mission to Afghanistan (UNAMA) and Resolute Support Mission (RSM)/NATO to create synergies and better coherence as well as a more efficient division of labour. Through the World Bank, which is providing the main vehicle for transferring donor development assistance to Afghanistan - the Afghanistan Reconstruction Trust Fund – Denmark is participating in important dialogue with Afghanistan. Denmark also participates actively in the International Contact Group on Afghanistan. In addition, Denmark is working closely with the Nordic countries and the Netherlands in the so-called Nordic+ group. This cooperation gives the countries greater impact collectively while at the same time allowing for a more efficient division of labour. Similarly, through the so-called Core 9 group, non-neighbouring countries that are receiving many Afghan refugees are sharing information and coordinating their efforts.

Denmark has pledged financial assistance for 2017-20² at an average level of DKK 425m per year. In addition, Danish troops will be deployed.

^[1] Denmark's previous cooperation with Afghanistan is described in more detail at www.DKiAfghanistan.um.dk and the country programme is described in more detail at www.Afghanistan.um.dk



The Danish Country Programme for Afghanistan 2018-20 will secure continued alignment with the Afghanistan National Peace and Development Framework and take into account Danish policy focus and choices of support modalities. The vast majority of the financial assistance will be delivered through multilateral channels – primarily the World Bank and UN-agencies - in order to ensure alignment with Afghan priorities, improved donor coordination and accountability.

Strengthening national institutions, fighting corruption and building economic self-reliance will remain key challenges for Afghanistan for the coming decade and shall remain key focus areas for Danish development assistance. This will also serve to improve the human rights of the citizens, strengthen rule of law and promote equal rights, which in turn will generate support for state building and the Afghan institutions.

Anti-corruption will be a priority for Danish development assistance as well as an integrated part of the delivery modalities for Danish support. Denmark is already focusing systematically on this issue and a comprehensive set of anti-corruption policies, guidelines and practices are already in place³. Denmark will aim at ensuring that the necessary fiduciary controls are in place within partner institutions. In line with the zero-tolerance policy of Danish development funding, active actions will be taken in all reported mismanagement, misuse and corruption cases.

^[2] In 2016 Denmark, together with the rest of the international society, pledged their anticipated assistance from 2017-20.

³ Robustness and Vulnerabilities to Corruption in Denmark's Aid Funding Modalities in Afghanistan, Chr. Michelsen Institute, May 2017.

Human rights will continue to be a priority and Denmark will actively support key actors such as the Afghan Independent Human Rights Commission. Focus on creating opportunities for women is a priority in the support for the education sector as well as in the support for the agriculture sector, which holds large potential, including in promoting female entrepreneurs who will serve as role models for others as well as contribute to a key economic sector.

Promote political and cross-cutting issues through dialogue with Afghan partners

The dialogue between Denmark and Afghanistan revolves around issues of mutual interest. In this dialogue, issues related to promoting the stabilisation and development of the country will be raised. This includes, among others, the cross-cutting issues of good governance, accountability, anti-corruption, human rights and equal opportunities for women and men. These topics are also raised through various multilateral fora where Denmark participates.

In the political dialogue with the Afghan government, Denmark will firmly insist on a continued result oriented cooperation on the readmission of Afghan citizens without legal permission to stay in Denmark. This agenda will be pursued both bilaterally with the Afghan government and through the EU.

Denmark will stand by the Afghan government in its efforts to carry out a political process leading to a lasting, inclusive and legitimate peace settlement. Only a political settlement can move Afghanistan significantly towards peace and self-reliance over the period until 2020.

Contribute to strengthening the Afghan security forces

The security situation, despite progress made, remains a major concern and is directly hampering the development of Afghanistan. Denmark made a commitment at the Warsaw NATO Summit in 2016 to retain a Danish military presence in Afghanistan. Furthermore, with special attention to Denmark's partners and allies, Denmark is currently looking into the needs and possibilities for further engagements in addition to the approximately 100 Danish soldiers currently deployed [To be updated when a final decision has been taken]. Afghanistan should not again become a safe haven for terrorism and extremism, which could lead to negative spill-over of terrorism as well as challenges linked to increased migration.

The military support will continue to be part of NATO's Resolute Support Mission providing training, assistance and advice to the Afghan military institutions, including mentoring of Afghan teachers at the Afghan National Army Officers Academy, where Afghanistan's future military leaders are educated. In order to further strengthen human rights also in the security sector Denmark's assistance to the Afghan security forces will include human rights awareness and education. A key part of the effort will be the continued leadership in RSM HQ on efforts on Transparency, Accountability and Oversight. These activities are focused on addressing the challenges of corruption in the Afghan security forces. This will complement the strong focus on anti-corruption already integrated in the Danish civilian support – an area widely believed to be crucial for development as well as for building strong security structures.

Through the Danish Peace and Stabilisation Fund, Denmark is contributing to the NATO-managed Afghan National Army Trust Fund (ANA-TF) as well as the Law and Order Trust

Fund for Afghanistan (LOTFA), which will support the ongoing operation and capacity building of the military and police of the Afghan security forces.

Address development and humanitarian challenges for the citizens of Afghanistan

The continued development of Afghanistan, which remains one of the poorest countries in the world, is key to sustainable peace and stability. Danish development cooperation with Afghanistan will be aligned with the UN Sustainable Development Goals.

Contribution to SDG 8 (decent work and economic growth) will be made through strengthening the private sector, which is essential to generate economic growth in order to finance development in other sectors. It is important to create jobs and opportunities for people to have a livelihood in the country, in turn facilitating the sustainable return of Afghans from abroad, in particular from neighbouring countries as well as Denmark and other European countries. Afghanistan has a potential to increase its agricultural production and focus will be on stimulating a commercialisation of agriculture and thereby also contributing to SDG 2 (end hunger).

Improving education in Afghanistan in order to realize SDG 4 (quality education) and SDG 5 (gender equality), is also a prerequisite for sustainable development and enabling equal opportunities. The synergy between access to education, skills development and improved job opportunities aims at increasing the employment rate of the large youth generation, which is essential to support sustainable economic development. Denmark has been engaged in the education sector for many years and has achieved good results together with our Afghan and international development partners. More children go to school, and especially the number of girls attending school has increased. Still, significant challenges remain.

Securing sustainability and strong institutions also require strengthening of governance at various levels and will contribute to SDG 16 (peace, justice and strong institutions). Denmark will prioritise the fight against corruption as it has a detrimental effect on other development efforts as well as on stability. Institution building, reinforcing democracy including through elections and the promotion of human rights are important areas for peace and state building and will also be supported under the Danish assistance to Afghanistan. Improving the capacity of government institutions and structures will contribute to an enabling environment for the private sector. Similarly, recognising the shrinking civil society space in Afghanistan, Afghan civil society will be supported to promote its role as watchdog with focus on access to information, conducting evidence based investigating journalism and strengthening CSOs to hold the government accountable.

Finally, the magnitude of the humanitarian and developmental impact arising from internal displacement of more than 1.5 million people and the massive return of refugees from neighbouring countries strongly affect the Afghan authorities' ability to address the country's challenges. Denmark will promote stronger coherence between development cooperation and humanitarian assistance aimed at supporting the integration of refugees and IDPs and supporting them in building a future in safety and dignity in Afghanistan.

In this regard, the government's Citizen Charter Program (CC) will be an important platform for the delivery of quality services and infrastructure through Community Development Councils with a target of reaching 8.5m citizens within 4 years. This programme is seen by the

Afghan authorities as an important tool for the integration of refugees and IDPs into local communities. The support for CC will be complemented by prioritized engagements through multilateral organisations and civil society partners. Danish NGOs will continue to be important partners in working with the Afghan civil society and in humanitarian response. The NGOs include among others Danish Red Cross, Danish Refugee Council, DACAAR and Mission East.

E. Monitoring of the Danish engagement

Denmark's engagement in Afghanistan is subject to a number of contextual, institutional, fiduciary and programmatic risks.

The Danish embassy in Kabul is responsible for monitoring Denmark's development engagement in Afghanistan, and will regularly report on developments in Afghanistan, significant risks and preliminary results. In its monitoring of engagements implemented by other partners, including international organisations, the embassy will focus on the strategic dialogue, relying on the partners' own systems for monitoring and reporting. Denmark's engagement will be adjusted in light of specific circumstances, if the situation so requires.

Interventions will entail a relatively high level of risk and thus the acceptance of risks in exchange for the potential gains of engagement. Programme managers of financial assistance will do their utmost to mitigate risks. The risk factors will be taken into account and, as a starting point, the risks are carefully managed through detailed risk management matrices for the programmes under the Danish engagement.

In preparation for the Danish development efforts in Afghanistan in 2018-2020, as part of a comprehensive country programme, concrete descriptions of the development objectives will be prepared with a clear framework for measuring results.