Reliable Partnership in Times of Change –

Responsible for the content: BMZ Division 404 (Afghanistan, Pakistan)
Dear readers,

Afghanistan is once more headed for a period that will be crucial in determining its future. While the international combat mission is nearing its end, the country’s civilian development is gaining more and more importance and is becoming the focus of attention.

Since the end of Taliban rule, Afghanistan has made great progress in terms of development. Many Afghan people are significantly better off than ever before. The Afghan government and the international community are justified in looking back with respect on the achievements of reconstruction and the progress made on economic, social and democratic development over the last decade.

Yet Afghanistan has only completed part of the road toward a democratic society with government institutions that are able, based on their own resources, to give the people opportunities for a life without poverty and extremism. Afghanistan continues to be a fragile state, one of the poorest in the world. Many development challenges remain. So Afghanistan will continue to require support from the international community in the coming years – especially in the area of development cooperation.

The present strategy provides the framework for the BMZ’s support for Afghanistan in the period from 2014 to 2017. It defines the future thematic and regional priority areas of our work on the ground.

In particular, we are planning to give more Afghan women and men a chance to find a job in the coming years. To that end, they need to receive a good education that is in line with the labor market’s needs. We are therefore devoting more funding to the development of agricultural value chains, to education and to vocational training.

We also want to provide increased support in future to activities that create greater justice. We are working, in particular, for enhanced legal certainty and better access to the justice system for women and men. We also want to enable Afghanistan’s administrative bodies to do their work independently and without external support, including at the sub-national level. In our support, we will be devoting special attention to the fight against corruption.

Simultaneously, we expect the Afghan government to make further progress on fighting corruption, realizing human rights, reducing the discrimination of women and girls, and improving the business environment. Only then will we fully disburse the money that has been earmarked for Afghanistan, and only then will we increase our support for particularly successful programs in the medium term.

We are doing all this based on close coordination with our international partners. Only if the international community speaks with one voice will it be able to uphold its pressure on Afghanistan’s government to encourage it to continue its course of reform.

Foreword by Minister Gerd Müller

Germany knows that it bears part of the responsibility for Afghanistan’s future. We are not abandoning Afghanistan. We will continue our presence on the ground, with the people, including in rural areas outside the cities. In these areas in particular, which are home to 60 per cent of Afghanistan’s population, we must not leave people alone. In order to ensure our experts’ security, we are focusing our work on regions where there is no fighting, and we are strengthening civilian security systems.
Our involvement in Afghanistan is not without risk, and that will continue to be true. We need to be ready for setbacks in the coming years. We do not know how well a future Afghan government will manage to live up to its responsibility for the country’s future. Nor can we be sure that the security situation will develop positively at all times in all parts of the country. Certainly there are countries where the achievement of sustained development impact is less challenging. But we must not let that deter us. Cooperation with fragile states such as Afghanistan requires strategic patience and perseverance. Precisely because of this, Afghanistan needs our support and strong German-Afghan development cooperation.

Dr. Gerd Müller
Federal Minister for Economic Cooperation and Development

Foreword by Minister Gerd Müller
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Acronyms and Abbreviations
1 Executive summary

Afghanistan is on track to become a peaceful country, increasingly able to stand on its own two feet economically, and should achieve this by the end of the transformation period (2015–2024). The future Afghan state will respect, protect and guarantee human rights, provide security, and be recognised by its citizens as their legitimate representative and provider of services that meet their basic needs. It will afford its citizens legal security and give them prospects for the future, and provide opportunities for them to engage in political life and to play a part in shaping the country’s economic life and politics.

If Afghanistan is to achieve these goals on a permanent basis, it must be able to offer its population the prospect of a future free from poverty or extremism. Therefore, Afghanistan needs to continue to make significant progress in development. Currently, however, it is not in a position to finance a sustainable development process from its own resources.

Germany has a genuine interest in sustainable economic and social development in Afghanistan. The Federal Ministry for Economic Cooperation and Development (BMZ) is committed to sustaining its support for Afghanistan at a high level, in order to consolidate the achievements made to date in reconstruction and development. German-Afghan development cooperation has succeeded in contributing to the stabilisation and peaceful development of the country, and reducing any risk of a new civil war.

Germany will modify its development cooperation with Afghanistan in line with changing framework conditions in order to allow it to make further improvements to the everyday living conditions of the Afghan people.

The BMZ’s future support will be targeted at achieving higher employment, improved education and vocational training, greater justice and better public service delivery. Our intention is to expand the abilities and capacity of state service providers at the national level and in the provinces, districts and communities of northern Afghanistan, advance the development of rural areas, make the energy supply more reliable, give people access to safe drinking water, create better framework conditions for increased private sector employment, and strengthen basic education and vocational training.

In future, German-Afghan development cooperation will focus on five thematic priority areas, identified on the basis of key Afghan development challenges, Germany’s development cooperation experience to date, and the commitment to a division of labour between the group of donors. The priority areas are (1) good governance (rule of law, political participation and public administration); (2) promotion of sustainable economic development and employment; (3) energy; (4) drinking water supply and wastewater disposal; and (5) education and vocational training. Cooperation in the priority areas will be aligned in future with the new BMZ focus and interfaces between priority areas.

BMZ’s new policy for Afghanistan will focus on the following:

- Offering the prospect of jobs as protection against extremism
  Every year, 400,000 young Afghans crowd onto the labour market, seeking to secure a future life free from poverty or extremism. These young people need to be trained and offered a way of making a livelihood, so that they do not add to the current potential for destabilisation. In addition, precautionary measures will have to be taken in view of the expected decline in demand for labour after troop drawdown at the end of the ISAF mission. The BMZ will therefore give special priority, in the period from 2014 to 2017, to promoting employment for young men and women in urban and rural areas (particularly in the agricultural sector), and, as far as promoting sustainable economic development is concerned, will focus its measures on job creation. In future, the BMZ will support and increase funding for measures which are labour-intensive and promote employment, instead of supporting large, complex infrastructural projects which are frequently difficult to implement (bridges, major roads, hydro power plants).

- Building a future through education and vocational training
  A solid education and vocational training is the basis not only for enabling people to gain employment but also to engage and make a difference. The BMZ will therefore step up its activities in the thematic areas of general education and vocational training. In future, programmes will focus on training individuals to fill jobs which hold promising prospects for the future. From now on, the BMZ will align its vocational training measures with the needs of the labour market.

- Delivering justice through good governance
  Public institutions in Afghanistan remain weak and fragile and are rarely in a position to use the funds provided in an efficient, development-oriented way. Despite efforts at capacity building, neither the government nor the administration is seen by the population to be guarantors of order and social protection. Particularly at the sub-national level, corruption, arbitrary practices and self-serving behaviour remain endemic in many public institutions on the ground. Many Afghans have no access to a properly functioning and fair legal system. They do not trust their state, and criticise it for its corruption and striking lack of justice.

In future, the BMZ will increase its commitment to the themes of the rule of law and democratic development. First and foremost, it will work towards establishing constitutional structures and decentralised government and improving their performance. It has identified the fight against corruption and the expansion of cooperation between German and Afghan civil society as a key mission.

We will assist Afghanistan in creating conditions that will allow revenue from the extractive industries sector to be channelled into the development of the country. We will champion the issue of raw material governance and act as an honest broker in developing a transparent system which satisfies international standards, on the condition that the Afghan parliament passes the relevant legislation on the regulation of natural resources.

Afghanistan has to unlock the economic, political and social potential of women and girls. After some initial successes, the situation of women and girls has again deteriorated in large areas of the country. In future, German development cooperation will seek to mainstream the implementation of gender legislation across all areas of intervention. We will draw on special resources and funds to strengthen the advancement of women in programmes which are particularly likely to have great impact.

- Staying in touch with the people – even outside the cities
  Three out of every four Afghans live in rural areas, and two-thirds of the labour force works in agriculture. This is why we need to offer people, particularly those living in rural areas, something other than the prospect of joining the anti-government forces, and we will continue to maintain a presence outside urban centres, with opera-
2 Framework conditions and cooperation to date

2.1 KEY ISSUES, RISKS AND OPPORTUNITIES, POTENTIAL FOR DEVELOPMENT AND CONSTRAINTS AT NATIONAL LEVEL

Twelve years after the end of Taliban rule, Afghanistan again faces critical decisions over its future. The international NATO-led stabilisation operations conducted by the International Security Assistance Force (ISAF) will end in 2014. Even before this time, full national sovereignty and responsibility for security in the country will pass completely into Afghan hands. In the transformation decade from now to 2024, Afghanistan is expected to develop into an economically and politically stable member of the international community, and, as such, it will independently assume responsibility for its internal security and no longer pose any threat to its neighbours. Presidential elections will be held in 2014, followed a year later by parliamentary elections – both seen as the litmus test for the transition to democracy.

Over the past ten years, significant progress has been made with the civil reconstruction of the country, after decades of civil war. Today, most Afghans are no longer the war refugees that flooded the borders of Pakistan, Iran and Turkey, but they have remained internally displaced due to conflict and insecurity. Despite a considerable reduction in the number of internally displaced people, a large number remain. About one million Afghans have fled to Pakistan and Iran. Over 2 million Afghans have become refugees in their own country.

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Afghanistan will not achieve the targets set by the Millennium Development Goals (MDGs) by 2015. The latest figures available are the 2010 statistics and show substantial shortfalls in all areas, particularly mother and child mortality, gender equality and absolute poverty reduction.

The overwhelming majority of Afghans still live in severe poverty and suffer from underdevelopment. Afghanistan is still one of the world’s poorest countries. In 2012, it was ranked 175 out of 187 nations in the United Nations’ Human Development Index.

Improvement in access to drinking water and sanitation is still comparatively slow. Consequently, diarrhoea and other water-borne diseases are widespread. Over 40 per cent of Afghan children under the age of five years remain underweight.

Almost three-quarters of Afghan households and businesses are without a reliable electricity supply. This hampers economic development and impedes access to information. Where electricity is actually available, it is often generated at high cost by means of diesel generators which damage the environment, the climate and people’s health.

To date, Afghanistan has been unable to stimulate endogenous economic growth from its own revenue. Support from the international donor community and the purchasing power of the ISAF troops have been the main drivers of its rapid economic growth in recent years. One of the priorities for the country going forward is the transformation of the Afghan rentier economy into a productive economy which generates jobs from within. Other tasks include eliminating informal labour arrangements, for example, drug cultivation and drug and arms trafficking.

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• Private domestic investment is still too low to provide stimulus for growth and employment. Foreign investment other than donor-funded projects is virtually non-existent, due to the volatile security situation and inadequate legal framework. An inflow of extensive external funds and the drug economy have led to a significant overvaluation of the national currency, the afghani (AFN), which makes imports radically cheap in comparison with domestic production, and at the same time significantly reduces the ability of many Afghan products to compete on the world market.

• Afghanistan is unable to fully meet its own food requirements. It is therefore reliant on imports from neighbouring countries, particularly in the event of poor harvests. Agriculture, which still accounts for around 30 per cent of Afghan GDP and employs some 65 per cent of the workforce, is in its infancy as far as modernisation is concerned, and is under constant pressure from natural disasters and weather-related fluctuations in production.

• Afghanistan’s climatic and environmental characteristics make it vulnerable to the loss of natural resources and ecosystem services (deforestation, soil erosion, etc.) and the adverse effects of climate change (a rise of up to four degrees Celsius in temperature between 1990 and 2100, more extended periods of drought and heavy precipitation). Decades of civil war have led to serious environmental damage and a loss of resources (water pollution, growing volumes of waste, logged forests, soil contamination). Reconstruction over the last ten years has failed to curb this environmental destruction. On the contrary, high population growth, and particularly urban population growth, actually increase pressure on natural resources and exacerbate environmental pollution (particularly air). So far, the Afghan Government has paid virtually no attention to this significant challenge to sustainable development.

• Economic growth is being eaten up in large part by the very rapid and sustained population growth (2.8 per cent). Today, the average Afghan woman bears 6.3 children and 46 per cent of Afghans are under the age of 14. The United Nations estimates that the Afghan population will grow by 15 million to 47 million over the next ten years.

• Two out of every three young people aged 15 to 19 years are not in education or vocational education and training (VET). Already around 400,000 young people are a year crowd onto the Afghan labour market, seeking work, schooling or vocational training. There is an insufficient number of jobs available either in agriculture or in other sectors and only half of the graduates of vocational education schools find suitable employment. Surveys demonstrate that young Afghans fear unemployment more than anything else. Where there are no labour market prospects, there is a growing risk of radicalisation.

• Only 51 per cent of men and 22 per cent of women aged 15 to 24 years know how to read and write. By 2017 there will be a shortage of at least 150,000 teachers in the education system. Only a minimum number of people of working age have received any kind of vocational training.

• Despite sustained international intervention since 2001, Afghanistan is far from enjoying orderly democratic and political stability in the western sense. Public administration does not operate efficiently, and clientelism and corruption are widespread.

• The 2014 presidential and provincial council elections and the 2015 parliamentary elections will provide the first indications of the extent to which the principles of democracy have taken root in Afghan society. After initial election successes in the early years of international engagement, those from 2009 on have been characterised by irregularities, fraud, threats of violence and the circumvention of democratic principles. Formal democratic legitimation clashes with traditional systems of patronage, and would appear not yet to have become established practice in the political culture.

• Coexistence in Afghan society is marked by differences between socio-economic modernisation and tradition, between urban and rural areas, and between young and old.

• Many Afghans do not have access to a properly functioning and fair legal system. The judiciary is often corrupt and arbitrary in its practices. Frequently, the dominance of clientelist networks results in the rule of might, with adverse effects on the independence of the judiciary as embodied in the constitution. Formal legislation is often in competition with the authoritarian exercise of power within family clans and traditional community-based organisations.

• Major challenges remain in the areas of respecting human rights, creating a foundation for promoting an inclusive political dialogue directed at achieving political consensus and national reconciliation, and addressing the issue of war crimes.

• After some initial successes, the situation of women and girls has again deteriorated in large areas of the country. Discrimination, in political, economic and family life as well as violence is part of everyday life for many Afghan women, although gender equality is explicitly established in the constitution.

• If Afghanistan cannot guarantee security, all its development gains will be at risk. It is essential for the Afghan people to feel personally secure, and for national or international investors to believe that the region is sufficiently secure to invest in it. This is not the case in many areas. Despite the fact that Afghan security forces are essentially operating more effectively, insurgencies in individual provinces and districts persist. We cannot rule out the possibility that, in connection with the scheduled 2014 presidential and provincial council elections or the 2015 parliamentary elections, the fault lines of old and new conflicts may lead to an escalation of the existing potential for violence.

2.2 THE AFGHAN GOVERNMENT’S DEVELOPMENT POLICY

Today, among other things, Afghanistan has achieved an unprecedented level of development in the fields of education, medical services, energy and infrastructure and the Afghan Government is right to highlight these successes. However, despite a tenfold increase in revenue between 2002 and 2011, the Afghan national budget is still exceedingly dependent on international donor assistance, which severely limits the Government’s opportunities for autonomous action. Government agencies are also rarely in a position to use the funds provided in an efficient and development-oriented way. Despite their efforts at capacity building, both government and administration remain too weak to be accepted by the population as guarantors of order and social protection. Corruption, the abuse of power and the failure to enforce the law are still widespread at national and sub-national levels. While the abilities and capacities of state actors are weak already at the national level, they are virtually absent at the provincial or even district levels, or are severely impeded by corrup-
tion, arbitrary practices and self-serving behaviour. To date, there is no clear, sustainable, countrywide understanding of the interaction between the various levels of state activity. Power and influence and the quality of government action all depend on individual players, as the overwhelming majority of state employees often have only rudimentary professional training. Many of the recent improvements and the provision of social services are perceived to have been contributed by the international community, rather than the Afghan state. Consequently, in the cross country comparisons of the World Bank’s Worldwide Governance Indicators, Afghanistan draws very low ratings in all governance areas.

Nevertheless, the Afghan Government has repeatedly reaffirmed its intention to move towards self-reliance and has committed to making political progress. Afghanistan, for example, entered into concrete reform commitments at the 2012 Tokyo conference in return for an international pledge to continue supporting the reconstruction of the country, and has promised and partly implemented reforms in the fields of governance, rule of law, human and gender rights, elections, transparency of public finance and private sector development, among others. These mutual commitments, which are documented in the Tokyo Mutual Accountability Framework (TMAF), have been worked out in detail in the ‘hard deliverables’ agreement early 2013 by the Afghan Government and the donor community. They form a framework for a multi-donor assessment of Afghan policy, and create the conditions for joint donor action.

2.3 COOPERATION IN THE DONOR COMMUNITY AND THE IMPLEMENTATION OF THE EFFECTIVENESS AGENDA

In recent years, Afghanistan has received more financial help than any other country in the world. According to World Bank figures, both civilian support for development and funding provided to the Afghan security forces accounted for 15.7 billion US dollars in the Afghan 2010/2011 fiscal year, compared with a GDP of around 30 billion US dollars (2011). Currently, in addition to the USA (easily the biggest donor with 10.4 billion US dollars spent on supporting security and development in 2011), over 50 other state donors operate in Afghanistan as well as all major multilateral organisations. With total commitments since 2001 of over 2 billion euros for the civil reconstruction of the country alone, Germany is the third largest bilateral donor, after the USA and Japan. Afghanistan’s weak government faces a major challenge in coordinating and effectively using this international aid. For this reason, Afghanistan has also agreed to be a pilot country in implementing the New Deal for Engagement in Fragile States, which is intended to provide better coordination of development cooperation under the terms of the Busan Development Effectiveness Agenda. Germany will monitor the implementation of the principles of the New Deal, and assist the Afghan side in this process.

In return for the Afghan Government’s political commitments at the Tokyo Conference, the major donors have announced that they will increasingly align their assistance with the Afghan Government’s political priorities. Donors also intend to strengthen national institutions, channel their programmes increasingly through the Afghan national budget, be more consistent in terms of aligning their aid with the requirements of the national development strategies, and concentrate their engagement on fewer themes through a division of labour. In its implementation of these commitments, the Afghan Government has taken great strides towards assuming the lead role in donor coordination, but because of its weak institutional capacities it is not yet prepared in many respects for these extremely complex coordination requirements andwe have heterogeneous and variegated donor landscape. Consequently, individual donors or the United Nations frequently assume the role of donor coordination.

To support the implementation of the reform commitments agreed to at the Tokyo Conference, which to date have only been partly fulfilled, Germany – in consultation with the other key international donors – has tied the disbursement of part of its aid for reconstruction and development in Afghanistan to the implementation of specific reforms. This incentive mechanism will continue to be used in the future. Here the fight against corruption plays a key role. Only robust reforms, such as strengthening governance at national and sub-national levels, curbing corruption and improving the situation of women and children will make it possible not only to align donor support with the goals of the National Priorities Programmes (NPP) but also to move closer in the medium term to the goal of providing 50 per cent of aid on-budget (through, for example, further contributions to multilateral funds such as the Afghanistan Reconstruction Trust Fund – ARTF), thereby supporting Afghanistan on its path towards economic self-reliance.

2.4 EXPERIENCE WITH COOPERATION TO DATE

Afghanistan is by far the largest recipient worldwide of German bilateral aid commitments. Since 2001, Germany has pledged more than 2 billion euros, of which 1.575 billion euros have been appropriated by the Federal Ministry for Economic Cooperation and Development (BMZ). The commitment has been steadily increased since 2007.

In 2010, the Federal Government announced that, within the framework of its ‘development offensive’, it would increase funding to a maximum of 430 million euros annually for the period up to 2013. At the Tokyo Conference in July 2012, the Federal Government pledged to maintain its support at a comparable level up to and including 2016. 250 million euros of the 430 million euros was to come from the BMZ budget. This ‘development offensive’ reaffirmed the BMZ’s commitment to five priority areas: good governance; sustainable economic development; education; energy; and water. German development policy has operated at three levels: in thematic areas with high national relevance at the national level and in Kabul; at the level of national programmes; and at the decentralised level, mainly in the five northern Afghan provinces of Badakhshan, Baghlan, Balkh, Takhar and Kunduz. Concrete and quantifiable targets have ensured that the ‘development offensive’ has delivered tangible development results within the planning period.

Germany’s development cooperation priorities have been aligned with Afghan needs, and have contributed significantly to advances in development in Afghanistan. The regional focus on the north underpinned by substantial funding has increased the importance and visibility of the German contribution. Measures geared towards visible and tangible results at the decentralised district and municipality levels have been particularly appreciated. The development policy gains achieved have confirmed the effectiveness of a strategy which directly links investment to capacity building measures to be adopted by the relevant national and sub-national authorities. Given the challenging security situation in the country,
strategies that allow for flexible thematic, instrumental and regional implementation have also proved valuable, as they can quickly respond to changing conditions. The Afghan partners have expressed their appreciation of the cooperation with Germany, since German development cooperation is aimed at resolving the country’s needs based on true partnership, with both parties on equal footing, and is transparent and reliable. In particular, they appreciate the close involvement of the Afghan government through a system of government negotiations and consultations, in contrast to the approaches followed by other donors.

The Federal Foreign Office has also markedly stepped up its political and civil engagement in Afghanistan since 2010. The projects launched by the Federal Foreign Office have their rationale in foreign and security policy and are designed to respond quickly, selectively and visibly to Afghanistan’s acute problems. Its priorities are security sector reform (training the Afghan police force in cooperation with the United Nations Development Programme, capacity building in administration and justice, vocational education and training, cooperation in higher education and support for the preservation of the country’s cultural heritage. In addition, the Federal Foreign Office has earmarked funds for the Afghan Government’s programme for the reintegration of former anti-government forces, which are managed by the United Nations Development Programme.

Years of intensive ISAF support in developing the Afghan security forces have contributed significantly to creating a secure environment for the implementation of international development cooperation, and have put the Afghan security forces in a position to gradually assume responsibility for security throughout the country in the transition process. The Federal Armed Forces have played a key part in this through Germany’s role as lead nation in the north of Afghanistan. From 2015, the Federal Government will provide an initial amount of around 150 million euros annually from the budgets of the Federal Foreign Office and the Federal Ministry of Defence for the Afghan security forces.

Development cooperation can only succeed if the Afghan Government redoubles its efforts and lives up to the commitments it made at the Tokyo Conference to advance the political, legal, economic and social reform processes that are needed, and thereby allow it to raise the revenue it requires to fulfil basic public responsibilities. Germany will coordinate closely with the international community to tie its future aid to Afghanistan, and particularly its choice of support instruments, to specific conditions decided under the Tokyo Process.

A key concern of German-Afghan development cooperation is to build an Afghan state which respects, protects and guarantees human rights, provides security, and is recognised by its citizens as their legitimate representative and provider of services that meet basic needs. It will afford its citizens legal security and open up future opportunities, the potential for participation and economic and political self-determination.

Future BMZ support will seek to improve the work of and interaction between public institutions at national, provincial, district and local community levels, advancing rural development, improving energy supply reliability, providing access to safe drinking water for a growing percentage of the population, improving framework conditions to boost employment and strengthening general education and vocational training. Democracy, the rule of law, human rights and combating corruption are central to political dialogue and an integral part of development cooperation. In light of this, the improvement of the situation of women and girls is a special concern.

German-Afghan development cooperation can thereby contribute to the stabilisation and peaceful development of the country, and prevent a future return to civil war. It will take account of Afghanistan’s changing needs, optimise its own instruments in terms of their effectiveness, sustainability and vulnerability to crises, and strengthen its thematic relevance through defining priority areas.

3 Germany’s cooperation – Strategic goals and orientations for 2014–2017

3.1 GOALS AND INTERESTS OF GERMANY’S DEVELOPMENT COOPERATION

By the end of the transformation period, it is envisaged that Afghanistan will be able to offer its citizens the prospect of a future free from poverty and extremism. Therefore, Afghanistan needs to continue to make significant progress in development.

Germany has a genuine interest in the economic and social development of Afghanistan, and development cooperation supports efforts to achieve this goal. The BMZ will continue its support to Afghanistan at a high level in order to consolidate the reconstruction and development achievements made to date and further improve the everyday living conditions of the Afghan people.

For the period 2014–2017, development cooperation with Afghanistan should be further developed so that it can respond flexibly to new framework conditions in Afghanistan and learn from measures that have proved less successful, with a view to modifying them, or abandoning them completely.

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3.2 ORIENTATION BY THEME, REGION AND INSTRUMENT

For the period 2014–2017, development cooperation with Afghanistan should be further developed so that it can respond flexibly to new framework conditions in Afghanistan and learn from measures that have proved less successful, with a view to modifying them, or abandoning them completely.
Priority areas by theme

In future, Germany, through its development cooperation activities, will focus on five priority areas, identified on the basis of key Afghan development challenges, experience to date, and the commitment to a division of labour between the group of donors.

- Good governance (rule of law, political participation and public administration)
- Promotion of sustainable economic development and employment
- Energy
- Drinking water supply, sewage disposal and sanitation
- Education and vocational training

Germany has acquired special expertise and experience in all of these five priority areas which can be expected to produce significant sector-wide development outcomes in close cooperation with the Afghan Government and other donors.

A key concern of Germany’s development cooperation with Afghanistan which will be addressed in the political dialogue is to improve the situation of women and girls, strengthen gender equality, and achieve the participation of women in political decision-making processes. Afghanistan needs to unlock the economic, political and social potential of girls and women. It is therefore planned to strengthen the advancement of women in programmes which are particularly likely to have great impact. This cross-cutting theme will be embedded in current programmes in the priority areas of good governance, promotion of sustainable economic development and employment as well as basic education and vocational training. These programmes identify their own specific goals and sources of funding.

All German measures taken in the afore-mentioned focal areas have been aligned with the priorities set out by the Afghan Government in, for example, the National Priorities Programmes (NPPs), and all contribute to achieving Afghan development objectives. German development cooperation is committed to the principles laid down at the conferences of Paris, Accra and Busan, and in this light endorses, for example, harmonisation initiatives launched by the Afghan Government, division of labour between donors based on sector and regional priorities as well as donor coordination by the Afghan Government and its delegates at the sector and provincial levels.

Regional priority areas

Germany’s development cooperation is engaged nationwide, and will also continue to maintain its presence outside Afghanistan’s urban centres, with operational activities in the rural areas. It supports national programmes, and indeed all regions of Afghanistan, through cooperation with the central government and other players operating nationwide. The six northern provinces of Badakhshan, Baghlan, Balkh, Kunduz, Samangan and Takhar and the capital of Kabul form the regional focus of German commitment.

The BMZ Commissioners in the northern provinces ensure that there is coherence between measures at the decentralised level. Measures taken in the priority areas have synergetic effects on rural areas, and adapt to the specific needs and priorities of the relevant provinces. Open regional development funds for capacity-building are the face and the heart of Germany’s development cooperation operations at the decentralised level. They enhance the impact of individual priority areas by focusing on the development of public institutions at the sub-national level. They are flanked by measures to promote economic development and employment whose activities target the requirements of rural areas.

Instruments

The primary instruments of Germany’s development cooperation with Afghanistan are bilateral Financial and Technical Cooperation (FC, TC). The most effective approach has proved to be programme-building within the priority areas, and TC and FC activities are directed at joint needs-related goals. The use of flexible funds and ‘open programming’ enhances flexibility, makes measures less vulnerable to crises, and improves conditions for flexible alignment with Afghan requirements. In future, greater attention will be paid to implementation approaches that further optimise thematic interconnections and synergies across the German commitment priority areas (interface management).

The BMZ, in addition to utilising official development assistance tools, provides support to political foundations, social capacity-building agencies and private agencies in Afghanistan. These organisations make important supplementary contributions to official development aid by promoting democracy and the rule of law, by increasing the effectiveness of social capacity building and by improving the living conditions of the Afghan population, primarily in rural areas and particularly in the field of basic education. The Civil Peace Service (CPS) is working to strengthen Afghan capacity for nonviolent conflict resolution and encourages peaceful coexistence.

Afghanistan does not currently satisfy the stringent requirements for budget aid, and will not do so for the foreseeable future. Germany will therefore continue to support, as it has done in the past, national Afghan Government programmes through its participation in trust projects. Within the framework of the World Bank’s Afghanistan Reconstruction Trust Fund (ARTF), and especially the Education Quality Improvement Programme (EQUIP), Germany contributes towards ensuring the Afghan Government’s overarching ability to act. This fund finances both investment and current spending for operations and maintenance, and creates incentives to improve effectiveness. Germany may be prepared to increase its contributions to this and comparable funds if the Afghan Government manages to make substantial progress towards improving transparency, fighting corruption and increasing domestic revenues. If the Afghanistan Infrastructure Trust Fund’s (AITF) supervisory and management bodies are reformed, it specifically may become a suitable future instrument for disbursing German FC contributions.

Emergency and transitional assistance projects have made a significant contribution in recent years to providing rapid and flexible support to smaller development projects in rural areas. The development cooperation portfolio will have to undergo modifications following the restructuring of the transitional development assistance instrument and the assignment of emergency aid to the German Federal Foreign Office. In light of constant changes to the security environment and the need to integrate decentralised structures such as local authorities and community development councils, it is particularly important for projects in the sectors of rule of law, political participation and public administration and promotion of economic development and employment to adopt tried-and-tested emergency and transitional aid approaches. In future, these projects will reflect more clearly the needs of decentralised decision-makers and rural development. In the event of natural disasters and other crises (floods, droughts, etc.), the BMZ will review its needs-appropriate use of instruments of humanitarian aid, food security and transitional development assistance.

Security, shock resilience and conflict sensitivity

A key arena of Germany’s development policy is that of cooperation with fragile states which it has significantly expanded in recent years as part of its investment in peace. Afghanistan is a leading partner...
country of German development cooperation in this respect.

In the long term, it is unlikely that Afghanistan will enjoy stabilisation and a peaceful future without continued progress in development. However, it is not possible for civilian support measures such as development cooperation to pacify insecure areas or even terminate combat operations – indeed they are dependent on a secure environment if they are to be effective. Germany, through its development cooperation activities, can and will therefore only operate in those provinces and districts where Afghan security forces are able and willing to guarantee a stable environment with lasting security, using their own resources and in cooperation with the local population. These specific requirements have been set before the Afghan population, as part of a sensitive and careful expectations management. The task of development cooperation in Afghanistan will have to be effective. Germany, through its development cooperation to pacify insecure areas, will be completed faster. In districts with a highly volatile security situation, it has to be accepted that there is a need to implement measures in Afghanistan which, if successful, promise outstanding development results. The percentage of measures with increased implementation risk should not exceed 30 per cent of the portfolio.

Germany’s development cooperation measures in Afghanistan are designed to be conflict sensitive, so as not to enhance conflicts, violence and fragility.

It is essential to have conflict-sensitive project design given the need for the very peace and security on which the entire portfolio is based. The projects focus on the establishment of an inclusive state, state legitimacy and the rule of law, non-violent management of local conflicts, the opportunity for improved socioeconomic prospects at local level and an improved security situation for the population. This type of conflict-sensitive approach also seeks to reinforce unifying and balancing forces and actors in development. Peace and Conflict Assessments (PCA) are a mandatory part of these planning and implementing approaches. Within the framework of project planning and project progress reviews, the possibility of aligning development cooperation measures with these needs for peace and security (FS marker) will be examined and discussed.

In Afghanistan, the implementation of projects and programmes involves a higher degree of risk. However, despite an increased implementation risk and difficult framework conditions there will still be a need to implement measures in Afghanistan which, if successful, promise outstanding development results. The percentage of measures with increased implementation risk should not exceed 30 per cent of the portfolio.

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The strategy adopted to protect national and international experts involves selecting low-risk projects prior to commencement of measures, and also depends on ensuring that these interventions are widely accepted by the Afghan population. This approach includes targeted protection adapted to special site needs, supplemented by robust planning for emergencies and extreme situations, including the provision of specific protective measures and the preparation of evacuation plans. The civilian security system (risk management system) will be upheld and strengthened particularly in the areas of medical services, passive protection and evacuation manage-
4 Future alignment of Germany’s development cooperation in selected priority areas

4.1. GOOD GOVERNANCE (RULE OF LAW, POLITICAL PARTICIPATION AND PUBLIC ADMINISTRATION)

4.1.1. Context
Afghanistan suffers from ineffective and non-transparent administrative structures at all levels. While the capacities and capabilities of state actors are already weak at national level, they are virtually non-existent at provincial or even district levels, or are severely hampered by corruption, arbitrary practices and self-serving behaviour. Power and influence and the quality of government action all depend on individual players, because state institutional capacity is at best rudimentary. At national level, much of the work of Ministries and other public institutions is based on service delivery by externally-funded international and national advisors. The existence of semi-formal institutions and non-governmental power centres further reduces the effectiveness of state institutions. Many of the recent improvements and the provision of social services are perceived to have been contributed by the international community, rather than the Afghan state.

Public administration does not operate efficiently, and clientelism and corruption are widespread. To date, the Afghan state has not succeeded in generating sufficient revenue for its own activities, and remains dependent on external assistance. Furthermore, government agencies are rarely in a position to use the funds provided in an efficient and development-oriented way.

In addition, a major challenge facing Afghanistan comes from the demands made on central government by ethnic, religious and tribal groups for greater political, economic and cultural participation. Widespread uncertainty about the state’s ability to function when the transition phase has come to an end also acts as a general constraint on development. When the transformation decade begins, this will considerably increase demands on the Afghan Government to function effectively at national and sub-national levels, which increases the risk of parallel structures.

4.1.2. National policy and assistance by the donor community
In recent years, reforms in decentralising government and administrative structures (Subnational Governance, SNG) have fallen short of expectations. So far, contradictory interests within the Afghan Government have prevented the development of clear guidelines for the decentralisation of state responsibilities. For example, overlapping mandates and competition between the Independent Directorate of Local Governance (IDLG) and the Ministry of Rural Rehabilitation and Development (MRRD) have stood in the way of the reform process. Institutions at sub-national level have been greatly influenced by numerous interventions taken by external donors, which in some cases have created parallel structures and overlapping mandates. Administrative support, capacity building, and improving integrity in public service delivery remain ongoing problems. The rate of implementation for measures to raise the efficiency of public administration and combat corruption, such as the Efficient and Effective Government Programme and the National Transparency and Accountability Programme, remains low. The High Office of Oversight and Anti-Corruption, created in 2008 as a result of massive pressure by the international donor community, still lacks any real enforcement power. Recently, donors have begun to focus more on a different anti-corruption institution, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee. If anti-corruption efforts are to be supported and strengthened further there is a need for a pragmatic approach.

At provincial level, Germany’s development cooperation is having an impact on a number of structures, each with different responsibilities. The provincial government and Provincial Development Committees (PDCs) continue to be key partners in project development and implementation. Efforts are being made to expand cooperation with the Provincial Councils (PCs) since, so far, they are the only representative bodies legitimised by elections at sub-national level. At district level, cooperation primarily focuses on the District Development Assemblies (DDAs) and the administration, i.e. district governors and district offices of the ministries. At local authority level, Germany, through its development cooperation, works closely with the Community Development Councils (CDCs). These act as interfaces between the local population and government agencies and strengthen not only the direct effectiveness of individual measures but also their sustainability. Thereby, Germany’s development cooperation is linked to the National Solidarity Programme (NSP), which is seen as a model for success in the area of sub-national governance, and has worked successfully with the CDCs in the past. The World Bank and the EU, in particular, are involved in the area of administrative reform.

4.1.3. Germany’s development cooperation – goals and approaches
The goal of German development cooperation with Afghanistan in the priority area of rule of law, political participation and public administration is: Trust in the legitimacy and functioning of the organs of state and in public service delivery is improved.

The achievement of goals is measured by the following indicators:

1) In a survey, 60 per cent of members of national civil society organisations think that greater consideration has been given to civil rights (and especially the rights of women) in setting standards and implementing legislation. (Baseline: 12/2014)

2) Risk analyses carried out by anti-corruption institutions are used by two ministries to integrate anti-corruption measures into organisational development.

3) The number of cases brought before courts and hudus supported by Germany’s development cooperation has risen by 50 per cent.

4) The number of women in the legal profession has increased compared to 12/2017.

The constitutional compliance of judicial and police action and the development of governance in accordance with the law are improved in key reform projects.

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2) In 12/2017, 60 per cent of users of state judicial bodies and sub-national administrative bodies in the supported provinces think that state organs give adequate consideration to the rights of the population. (Baseline in a focus group: 12/2014 compared to 12/2017)
In addition to security, justice is a deep concern of the Afghan population. Within the context of upholding the rule of law, Germany, through its development cooperation, promotes the judicial protection and security of Afghan citizens. Furthermore, the police and judiciary are provided support for acting in accordance with the law and constitution. The capacity of civil society to participate in public processes is also being developed as a contribution towards the effective assertion of civil rights. These measures include compliance with at least the minimum standards of the rule of law and with human rights obligations. In the Afghan context, particular attention should be devoted to the promotion of the participation of women employing context-appropriate and culturally sensitive approaches. Given the poor standards of governance that exist in Afghanistan, Germany must identify its development cooperation goals and approaches with context in mind. A further challenge is posed by an inefficient and non-transparent management of public finances, which undermines state capacity. In a fragile context such as that of Afghanistan, anti-corruption measures can strengthen state legitimacy. Therefore, the above principles should also be strengthened to support the delivery of basic services in the fields of education, energy and water. In line with the BMZ’s twin-track approach to the anti-corruption strategy, Germany’s development cooperation in Afghanistan promotes anti-corruption measures at national level through a more effective public finance system and the basic supply of essential services.

The BMZ supports the expansion of political participation by enabling the state to take appropriate account of the needs and interests of the affected population in the decisions it makes regarding public services. This allows the legitimacy and acceptance of sub-national administrative and governmental action to be promoted in a targeted manner. German engagement will also help strengthen political dialogue between the provinces and the capital city. For this purpose, the role of regional actors in the regional fund steering committee should be strengthened, and greater institutional use should be made of this body. Stimulating political participation would give citizens the opportunity to become actively involved in planning decisions, in resolving conflicts of interest and prioritising infrastructural measures. In their decision-making processes, public authorities increasingly seek greater participation by civil society organisations. On the one hand, this is instrumental in obtaining citizen participation in decision-making processes, and on the other, support of this kind to organised civil society helps build civic self-confidence and the understanding of political participation among citizens.

The goal in the thematic area of political participation is:

**Political participation in the focus provinces is improved.**

The achievement of goals is measured by the following indicators:

1) In 2012, 60 per cent of the surveyed population and public institutions (including PDCs, PCs, CDCs, DDAs) in the focus provinces state that their interests have been taken into account in the selection, planning and implementation of the development projects supported by German development policy organisations. (Baseline from focus group: 12/2014)

2) In a survey, 60 per cent of the population (60 per cent men and 60 per cent women) in selected focus provinces state that the number and quality of services delivered by sub-national administrative institutions have improved. (Baseline from focus group: 12/2014)

The BMZ supports the expansion of political participation by enabling the state to take appropriate account of the needs and interests of the affected population in the decisions it makes regarding public services. This allows the legitimacy and acceptance of sub-national administrative and governmental action to be promoted in a targeted manner. German engagement will also help strengthen political dialogue between the provinces and the capital city. For this purpose, the role of regional actors in the regional fund steering committee should be strengthened, and greater institutional use should be made of this body. Stimulating political participation would give citizens the opportunity to become actively involved in planning decisions, in resolving conflicts of interest and prioritising infrastructural measures. In their decision-making processes, public authorities increasingly seek greater participation by civil society organisations. On the one hand, this is instrumental in obtaining citizen participation in decision-making processes, and on the other, support of this kind to organised civil society helps build civic self-confidence and the understanding of political participation among citizens.

The goal in the thematic area of **public administration** is:

**The functioning of public administration at national level through a more effective public finance system and the basic supply of essential services is improved.**

Indicators:

1) A disbursement rate of state development spending (core budget) of at least 45 per cent.

2) A ratio of government revenue to current spending of at least 65 per cent.

3) Afghanistan’s regulatory framework for the mining sector facilitates a transparent collection of revenues and development-oriented redistribution.

The BMZ supports the stabilisation and consolidation of the public administration’s functionality through contributing to the funding of the Afghan Reconstruction Trust Fund (ARTF). The incentives programme created under the current spending window plays a key role in the constructive dialogue between the donor community and the Afghan Government on important reform processes and measures, for example, improving national revenue generation, introducing a sub-national financial system, developing the private sector and reforming the civil service. Through the financing and management of regional development funds such as the Regional Capacity Development Fund (RCDFF) and Regional Infrastructure Development Fund (RIDF), the BMZ also supports the state in the needs-based provision of infrastructure and basic social services in the provinces. Vocational education and training programmes and learning projects strengthen the capacity of the administration at provincial, district and local authority levels, not only as regards decision-making and planning measures but also – and particularly – project implementation.

In addition, the BMZ is helping the Afghan Ministry of Mines to address major challenges in the field of mineral resource governance, such as the award of exploration and extraction licences, production of the final text of a new mining bill, and the development of adequate supervisory mechanisms. To further this strategy, the Open Policy Advisory Fund (OPAF) offers a rapid response to the Afghan Government’s policy advice needs.

In future, transparent Afghan revenue collection and accounting from the mining sector, and equitable redistribution will be extremely important for the legitimacy of the Afghan state. While Germany’s development cooperation is not intended to contribute to funding specific mining projects, it will nevertheless support the Afghan Government in creating a legal framework which meets established international standards.

**4.1.4. Management and interfaces**

In the priority area of good governance, there is a need for on-going management as regards the sector-related governance interfaces with the other four priority areas, particularly those of economic development and employment promotion and education. The priority area of governance should be regarded as a fundamental sounding board, in its role of informing all relevant projects on strengthening transparency, improving administrative action and combating corruption, if holistic and overarching support for desired development outcomes is to be provided.

In coordination with the BMZ, the priority area coordinator (PAC), who acts as a link in internal and external communication, will play a central role in identifying and bundling aid opportunities through the institutionalised pooling of information with the other four PACs, in partnership with the Development Counsellors at the German Embassies...
and with BMZ Commissioners – and crucially in
dialogue with the Afghan partners. This new tracking
system will be an important tool for identifying and
utilising interfaces geographically and materially in
this process. The BMZ will select what instruments
can potentially be employed and coordinate their
use in this ongoing monitoring process as part of the
political management it provides depending on its
assessment of the situation at the time. The inter-
face management described here will help improve
potential portfolio performance by identifying syner-
gies and cutting costs. In addition, the cross-
cutting issue of gender will assume greater opera-
tional significance thanks to the network established
by the existence of a poorly trained workforce, an
administration susceptible to corruption, frequently
unresolved land rights, an underdeveloped infra-
structure and the absence of an enabling environ-
ment to increase efficiency and production in the
dominant agricultural sector. Large segments of the
population are excluded from the formal financial
system, thereby preventing them from engaging in
entrepreneurial activities.

In Afghanistan’s insufficiently differentiated
economy, there are some 530,000 businesses, of which
an overwhelming majority is not registered. Small
and medium-sized enterprises (SMEs) frequently
remain incapable of responding to business oppor-
tunities if and when they arise. The private sector
continues to be poorly organised and is therefore
unable to raise its concerns and interests effectively
in reform processes and strategic decision-making
that could shape the environment for the develop-
ment of the private sector.

In the ‘Doing Business’ report published by the World
Bank and the International Finance Corporation (IFC)
for 2014, Afghanistan is near the bottom of the index
(164 out of 185 listed countries), demonstrating the
difficulties that private sector activities currently face.

Almost 50 per cent of the working age population
is underemployed, even though the official unem-
ployment rate shows the national average to be a
moderate 8 per cent. Some 90 per cent of the work-
force works in the informal sector, in jobs that are
often precarious. Every year, around 400,000 young
Afghans are joining the nation’s labour market. Of
those, only 4 per cent have received any kind of
formal vocational training. At the same time, it is
estimated that small firms in the country’s bazaars
train some 600,000 to 900,000 young people.

Agriculture accounts for approximately 30 per cent
of Afghan GNP and the incomes of around 60 per cent
of households depend on this sector. At the same time,
84 per cent of all poor Afghans live in rural areas.

Political, social and economic stability in Afghanistan
can only be fully sustained when a growing number
of citizens (particularly young people) start to benefit
from pro-poor economic growth, long-term employ-
ment and higher incomes. However, economic pros-
pects such as these may not be guaranteed, even with
further significant engagement of the international
donor community. In this context, self-reliance on
the part of the Afghan private sector and the creation
of an enabling economic environment become
critically important. The emergence of this kind of
economic peace dividend also depends on improve-
ments in the security situation. Ultimately, as is the
case in neighbouring countries, remittances are likely
to play a more prominent future role in financing
economic investment, household income and public
sector budgets.

4.2.2 National policy and assistance by the donor community

The establishment of an enabling environment to
encourage private sector development has been
identified as a priority goal in Afghanistan’s National
Development Strategy (ANDS). Other objectives are
poverty reduction, economic growth and employ-
ment creation. These goals are elaborated in
greater detail in the National Priority Programme
‘Facilitating trade and promoting SMEs’ and the
NPPs ‘Promotion of employment and vocational
education and training’ as well as ‘Reforms in the
Economy and Finance’.

USAID is the primary donor in the field of trade
promotion and pursues the goal of enhancing
Afghan foreign trade integration. The World Bank
is actively involved in the financial sector, and in
promotion of employment opportunities and
business start-ups. In the field of transport infrastruc-
ture, the Asian Development Bank has assumed lead
responsibility. Other donors in the sector include
the United Kingdom, Sweden, India and the Nether-
lands, Germany, when undertaking its development
cooperation activities, is in close dialogue with these
development partners.

4.2.3 Germany’s development cooperation – goals and approaches

The joint goal of the Afghan Government and
Germany’s development cooperation in the priority
area of sustainable economic development is to
create sustainable productive employment and
income opportunities for both genders and all
groups of the population.

Germany’s development cooperation aims to achieve
the following outcomes in the priority regions over
the next four years:

• The creation of up to 15,000 additional produc-
tive permanent full-time or recurring seasonal job
opportunities, one third of which are for women.

• A 30 per cent increase in income in the long term
for producers and employees in the value chains
directly assisted by German development coopera-

4.2 Promoting Sustainable Economic Development and Employment

4.2.1 Context

Afghanistan’s Gross National Product grew by
an average 9.1 per cent between 2002/2004 and
2010/2011. However, once the ISAF mission has been
completed, not only a decline in revenue from the
extensive international military presence but also a
probable drop in donor funding for reconstruction
and development has to be anticipated. The service
and construction sectors will most likely experience
the most significant economic contraction. Even
today, the continuing volatility of the security
situation is having an impact. For example, it is
increasingly difficult to attract licensed international
companies to implement major infrastructure devel-
opedments. Foreign and domestic private investment
in Afghanistan is still too low to provide a sufficient
stimulus for growth and employment. Furthermore,
given the current poor framework conditions, the
potential for investment from the Afghan diaspora
has not fully been unlocked. Consequently, the World
Bank forecasts a decline in the annual growth rate to
4.8 per cent for the years up to 2025.

Added to this is the overvaluation of the afghani
(AFN) compared with the neighbouring curren-
ties. This seriously affects the competitiveness of
Afghan exports and also reduces the cost of imports
into the country, adversely affecting the sales of
locally produced goods on the domestic market. In
2012, exports fell by a further five per cent while the
balance of trade deficit rose to 43 per cent of GNP.
This comparative disadvantage is further exacerbated
by the existence of a poorly trained workforce, an
administration susceptible to corruption, frequently
unresolved land rights, an underdeveloped infra-
structure and the absence of an enabling environ-
ment to increase efficiency and production in the
dominant agricultural sector. Large segments of the
population are excluded from the formal financial
system, thereby preventing them from engaging in
entrepreneurial activities.

Political, social and economic stability in Afghanistan
can only be fully sustained when a growing number
of citizens (particularly young people) start to benefit
from pro-poor economic growth, long-term employ-
ment and higher incomes. However, economic pros-
pects such as these may not be guaranteed, even with
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tive permanent full-time or recurring seasonal job
opportunities, one third of which are for women.

• A 30 per cent increase in income in the long term
for producers and employees in the value chains
directly assisted by German development coopera-

tion, with an identical outcome for the women employed in these sectors.

- An average annual growth in sales in excess of the annual growth rate of Afghan economic output by at least 20% (factor of 1.2) for producers or businesses who gain access to financial services through German development cooperation.

- Improvement of 20% per cent in the business and investment climate index (published in the ACCI Business Monitor Report) across the priority provinces covered by German development cooperation.

Promotion of agricultural production: The expansion of the irrigation system, better seeds and livestock breeding, targeted use of fertilisers and pesticides and improved crop rotation in agriculture can boost yields and quality considerably, and thereby promote integrated rural development. Improved input supply and enhanced extension services for agriculture and the treatment, storage, further processing, refinement and marketing of selected agricultural products can generate additional income and employment (promotion of value chains). Here, Germany’s development cooperation plans to concentrate on a small number of particularly promising value chains which can help secure livelihoods, reduce dependence on imports and potentially increase Afghan exports. Studies show that agriculture-based value chains for wheat, poultry breeding, almonds and cashmere show potential of this kind. By the same token, this engagement will help prevent the degradation of agricultural land through, for example, the promotion of resource-efficient and location-appropriate agricultural production.

Promotion of small and medium-sized enterprises (SMEs): In addition to optimising local added value, the promotion of selected agricultural products and their processing and marketing will also stimulate the service sector (e.g. transport) and manufacturing industry (e.g. cold chains, packaging etc.) in urban and peri-urban areas. Further encouragement of private sector promotion initiatives offers added potential for creating employment and for absorbing young people in particular into the labour market. Germany’s development cooperation aims to improve Afghanistan’s investment environment, especially by providing access to suitable, adapted financial services such as microfinance products or credit lines for SMEs, thereby stimulating the establishment and growth of businesses. Cooperation with private sector institutions and public organisations in order to promote economic development will be structured with a view to promoting value chains and their desired effects on employment and the general business environment. In practical terms, this involves capacity development, improved access to market information, the promotion of exports and investment, assistance with transport and customs, access to local training and financial services and strengthened dialogue between the private sector and the public administration. The goal is to develop an interdisciplinary approach which creates more efficient links between the promotion of agricultural production and measures designed to support SMEs.

Policy advisory services: Germany, through its development cooperation activities, continues to assist the Afghan Ministry of Commerce and Industry (MoCCI) in its efforts to improve the regulatory, political and administrative environment and promotion instruments at the national level. The Ministries for Agriculture, Irrigation and Livestock (MAIL), Energy and Water (MEW) and Rural Rehabilitation and Development (MRRD) are important partners in the implementation of joint rural development programmes. However, assistance focuses on policy areas considered particularly relevant to the selected value chains and to employment opportunities in rural areas. They should also be considered attractive to investors.

Promotion of women’s economic empowerment: Frequently, measures taken to stimulate the economy and create both employment and vocational education and training opportunities reach the male population first and foremost. This is expedient in the sense that it promotes peace, as young men who lack prospects for gainful employment may be particularly susceptible to join violent groups. However, the unsatisfactory economic participation of women has a serious impact on the distribution of resources within households, with adverse effects on investment in education for children and on the economic welfare of households. Consequently, Germany’s development cooperation will focus particularly on integrating women and their families into the economy and tapping their potential for employment.

The specific design of appropriate measures and selection of target groups will be carried out, inter alia, on the basis of systematic conflict analyses. Implementation of employment promotion schemes will comply with ILO core labour standards.

4.2.4 Interfaces with other priority areas
Any intended effects of projects in the priority area of sustainable economic development are magnified by their interaction with measures taken in complementary support areas. Interfaces with the good governance sector exist to enhance capacity development for public institutions at national and sub-national levels, and improve the design of the enabling environment for the commodities sector and the rule of law arena. This is seen as a crucial enabler for investment decisions. In addition, access to affordable and reliable energy plays a pivotal role in boosting business productivity and competitiveness. Improved electricity supply helps stimulate local and regional economies, which in turn create new income and employment opportunities. If it is to meet the demand for an adequately skilled workforce, the vocational education and training system must become more needs-oriented, and develop further against a backdrop of changing vocational profiles, technologies and learning content. Therefore, the country strategy for Afghanistan must employ an integrated approach which promotes employment not only by stimulating demand for labour through private sector development but also by fostering employability through (vocational) education and training and by improving general conditions for business through advice on economic policy. It is also important that the system of general education produces graduates who are capable of moving on to vocational education and training. Ultimately, higher levels of vocational training among Afghan workers will contribute to improved job and income opportunities in regional labour markets, such as Pakistan, Iran or the Gulf States. This will in turn affect the amount of remittances which flow back to Afghanistan.

4.3. ENERGY

4.3.1. Context
Only 28 per cent of Afghans have access to grid-based electricity or electricity from decentralised hydro power and solar panel stations – one of the lowest levels in the world. Not only does access to electricity improve the quality of life of the population, a secure power supply enables local businesses to manufacture products in higher quantities and of higher quality, and significantly strengthens the local and regional economies. Moreover, access to modern sources of information and broader educational services depends crucially on electricity, which makes it the basis for improved political participation.
For the foreseeable future, large parts of Afghanistan will remain unconnected to the national grid, and still depend on off-grid power sources at substantial expense and with concomitant technical problems. In rural areas, for example, electricity is mostly produced by diesel generators which are harmful to the environment and health, and it is only available for a few hours a day. Renewable energy technologies are only employed sporadically and the public is generally unaware of the need for energy efficiency.

More than three-quarters of the required electricity is imported from neighbouring countries to the north where it is produced primarily in hydroelectric and gas-fired power stations. Such electricity is available at lower prices than domestically generated power. However, existing import supplies by Afghanistan’s northern neighbours are not sufficient to meet the rising demand for electricity in the long term, making the construction of further high-voltage lines necessary.

Considerable investment is also required in power transmission and distribution mechanisms to connect more cities and local authorities to the regional transmission system, and to expand and renew these grids. Even in cities, connection rates are far too low and the quality of the supply is inadequate. The infrastructure is, for the most part, are far too low and the quality of the supply is inadequate. The infrastructure is, for the most part, generally unaware of the need for energy efficiency. Gases are only employed sporadically and the public is generally unaware of the need for energy efficiency.

4.3.2. National policy and assistance by the donor community

The Afghan Government set ambitious goals for the electricity sector in its national development strategy. Among other targets, it was planned for 65 per cent of the urban population and 25 per cent of the rural population to be connected to the grid by 2013. These objectives have not yet been met, but were reaffirmed at the conferences held in London and Kabul. The current goal of an adequate provision of electricity from affordable and sustainable sources to promote economic growth and alleviate poverty was incorporated into the National Energy Supply Programme of January 2013. The Afghan Power Sector Master Plan adopted in April 2013 is heavily focused on the transmission grid and estimates the investment required in the Afghan energy sector by 2020 at 2.8 billion euros, of which 1.3 billion euros is for regional transmission lines, 0.8 billion euros for power generation projects and 0.7 billion euros for transmission and distribution within the provinces. Without external sources of funding, these goals are unattainable.

Besides Germany, the most important donors in the energy sector are the Asian Development Bank, the World Bank with ARTF funds and the United States. The UNDP, United Kingdom, New Zealand, India, Japan and the Aga Khan Foundation are also active players in the energy sector. A growing share of bilateral funds from other donors is administered through the Afghanistan Infrastructure Trust Fund (AITF).

Currently, the Afghan Government only meets its responsibility to coordinate donors in the electricity sector minimally. Although there is regular consultation among donors, the Afghan Government currently operates a formal sector-wide coordination forum only for the areas of renewable energy and decentralised electricity supply.

4.3.3. Germany’s development cooperation – goals and approaches

In the energy sector, Germany, through its development cooperation, improves access to energy for the general population, businesses and public institutions. Energy is also produced in the most environmentally and climate-friendly manner possible, with the goal to efficiently utilise it as a foundation for economic development, poverty reduction and improved access to education and information.

An improved electricity supply strengthens the local and regional economies by creating new opportunities for income generation and employment. Access to information and education is improved. Environmentally harmful diesel generators are replaced by increasing the use of imported electricity, generating domestic power based on renewable energies, and exploiting energy efficiency gains (including in transmission and distribution). This results in lowering greenhouse gas emissions and a reduction in local environmental pollution, in contrast to the continued uncontrolled expansion of distribution networks that employ diesel generators, and thereby contributes to climate protection. Technical support and advice also create framework conditions which serve as a basis for channeling public and private investment into the decentralised generating capacity of renewable energies and supporting the economic sustainability of these utilities.

Germany’s development cooperation seeks to deliver the following practical results over the next four years:

- Private households, businesses and public institutions will be served by 150,000 additional power connections in the northern provinces.
- In addition to other emissions hazardous to health, 70,000 tons of CO2 a year will be saved in domestic power production, compared to the figure for conventional technologies.
- New legal and institutional framework conditions will be applied to the construction and operation of decentralised energy generation facilities employing renewable energy sources to public and private investors wishing to enter the market.

Future new projects in the field of Financial Cooperation will concentrate on the electricity transmission and distribution sector (transmission lines, distribution networks, transformer stations, grid synchronisation equipment and other key components). This will further allow Financial Cooperation to support the integration of regional networks as a prerequisite for increased imports of hydro power, primarily from Tajikistan. To reduce dependence on imported electricity and increase the share of electricity from renewable energy, current energy production projects will be sustained, while potential approaches to increasing national production capacity – including grid-based solar energy – will be investigated.
4.4. DRINKING WATER SUPPLY, SEWAGE DISPOSAL AND SANITATION

4.4.1. Context
Prior to 2001 few cities in Afghanistan had water supply systems and these were rudimentary; by this date they had been almost completely destroyed. If any maintenance and repair of existing systems was carried out at all, it was poor. Even Kabul suffers from a severe shortage of drinking water, and only around 400,000 inhabitants live in households with piped water out of a total population of 3.2 million in greater Kabul. The cost of water supply brought in by, for example, tank trucks, is up to five times higher than the national water tariff, and this hits refugees and other vulnerable population groups particularly badly. Despite extensive efforts and donor assistance in recent years, Afghanistan lags far behind on the seventh of the UN’s Millennium Development Goals (MDGs), and will not be able to halve the proportion of the population without access to safe drinking water by 2015.

In addition, the scarce water resources are largely improperly used or wasted. High population growth, extensive agriculture and continuing urbanisation makes this very difficult to prevent. Sanitation is also largely inadequate, and this can contribute significantly to the dissemination of water-borne diseases. In several regions, poor water management and water scarcity have the potential to trigger local conflicts over distribution.

In Afghanistan, central wastewater disposal systems are virtually non-existent, except for a few neighbourhoods in Kabul (running old systems from the days of the communist regime). Sewage treatment exists only for individual buildings and properties (stand-alone systems), and is generally funded by international projects. The overwhelming majority of the urban population use informal latrines or dry pit toilet systems. Excrement or wastewater is filtered into the subsoil or released directly into surface waters.

There continues to be a great overall need both for investment in the construction, renewal or expansion of the existing service systems and for capacity building respectful of the legal, organisational and institutional environment, for consultation and coordination among public institutions, for the development of effective sector-related management competence and for the promotion of engineering qualifications.

4.4.2. National policy and assistance by the donor community
Water supply has been identified as a priority by the Afghan Government and enjoys a high degree of acceptance across the population. However, there is little political will to address the issues of resource conservation and management, which are highly relevant in view of national and cross-border potential for conflict.Political interests and personal conflicts can impede coordination between public institutions. Like other parts of Afghanistan’s infrastructure, the sector remains very susceptible to corruption.

In 2006, at the first International Conference on Afghanistan in London, a number of overarching goals for improving the living conditions of the Afghan population were formulated. In line with the Millennium Development Goals (MDGs), water resource management and urban development, and specifically the core issue of water supply, were identified as sectors of the Afghanistan Compact’s primary pillar on economic and social development. These objectives were incorporated into the Afghan National Development Strategy (ANDS), but remained very ambitious and were never achieved.

So far, the water sector has been integrated into two NPPs: NPP 4 of the Infrastructure Development Cluster (Urban Management Support Programme) and NPP 1 of the Agriculture and Rural Development Cluster (National Water and Natural Resources Management). To date, there has been no cross-sector strategy covering all water sector areas involving all the different ministries and public authorities. The NPP was drafted under the leadership of the Ministry of Urban Development Affairs (MUDA), and while the Ministry for Energy and Water (MEW) has assumed coordinating functions for water as a resource, it performs these inadequately. Generally, the partners’ capacity in the entire sector remains weak.

The large number of different donor strategies makes sector coordination difficult. Besides Germany, through its development cooperation, the World Bank, United States (USAID), French development cooperation (AFD) and, to a smaller extent, Japan (JICA) all operate in the priority area. Germany’s development cooperation works closely with these other donors, and contributes to donor harmonisation and process simplification through, for example, the financial participation of USAID and AFD in the Kabul water supply. Donor meetings are held every one to three months, and the technical Water Donor Coordination group is chaired by USAID. As this group is primarily concerned with irrigation and river basin management, a sub-committee, chaired by Germany, was established for urban water supply in April 2013 which will boost future efforts to develop a strategy for a sustainable water supply, wastewater disposal system and resource management.

1 The commitment by the international community under the Tokyo Mutual Accountability Framework (TMAF) to provide at least 80 per cent of the funds within the Afghan Government’s NPPs has been met in the water sector.
4.4.3 Germany’s development cooperation –
goals and approaches

The goal of our engagement is to improve sustain-
ability in the supply of basic services to the urban
population, particularly the provision of safe
drinking water.

This will contribute towards improving the health
situation of the population concerned.

This goal will be achieved by meeting the following
targets:

1. By the end of 2017, approximately one million
people in Kabul and the northern provinces
will have received sufficient drinking water of
good quality (indicators: 90 per cent of the water
samples collected at house service points in the
project areas meet WHO standards; on average, the
target group in the serviced project areas receives
at least 50 litres a day per resident).

2. The national water and wastewater utility
AUWSSC has ensured sustainable operation
of the water and wastewater systems. In future,
a cross-priority-area review is needed for basic
education (classes 7 to 9) which are
enrolled in primary school and 32 per cent in
secondary education. Furthermore, the quality of
general education and vocational training is often
poor: Frequently, school leavers have not received
the kind of training that is oriented towards the labour
market. In addition, educational weaknesses continue
to limit the ability of the people to frame the political
context and exercise effective control of the govern-
ment. In Afghanistan, unemployment and underem-
ployment are estimated to affect up to 50 per cent of
the population. Young people, who need prospects for
life without poverty and extremism, are particularly
affected. However, demand for general education and
vocational training, especially for girls and women,
remains very high.

Enormous challenges are posed in the education
sector by inadequate infrastructure, poor governance,
the low quality of vocational education and training
at all levels, a shortage of female teachers, and
continuing weaknesses in the field of vocational
guidance. In the general education sector, there is
a shortage of qualified teaching staff for primary and
secondary education, and the same holds true
for the system of vocational training. Curricula are
needed for basic education (classes 7 to 9) which are
conflict-sensitive and focused on vocational guidance
and practical learning. In light of this, it is likely that
Afghanistan will fail to reach Millennium Develop-

ging awareness of sustainable water use in agriculture
defuses the potential for local conflicts over water.
A quality education has been shown to reduce significantly the risk of living in poverty. That is why establishing a properly functioning general education and vocational training system is a central requirement for social integration and democratic development. Economic development creates entry points for vocational training in the agricultural sector, craft trades, engineering and service sector. If a functioning vocational education and training system oriented towards the labour market is to be established, there is a need for systematic development of formal vocational training, supplemented by non-formal educational and training opportunities for apprentices and skilled workers in the informal economy. One way of stimulating innovation is by opening up the informal sector to state-of-the-art knowledge and technology, which can make a significant contribution to both economic development and social stability.

4.5.2 National policy and assistance by the donor community

Education is one of the national priorities enshrined in the constitution and the Afghanistan National Development Strategy (ANDS). Afghanistan has aligned itself with the international development and education goals such as the MDGs, but has given itself the period up to 2020 to achieve them. By then, it is planned that the overall goal of providing a high-quality school-leaving certificate for all children and youths will have been achieved. This involves three sub-goals: (i) equitable access to education, (ii) improved quality of education, and (iii) higher relevance of education.

However, the capacity of public institutions falls far short of what is needed to reach these objectives. In reality, insufficient coordination at the national level between the Ministries of Education, Higher Education and Labour, Social Affairs, Martyrs and Disabled makes it difficult for many children and youths to transition from educational institutions to the work force.

Furthermore, Afghanistan, with some 60 NGOs and 17 bilateral state partners and organisations involved in international cooperation, is noteworthy for its widely diversified donor architecture in the education sector. Fifteen of these donor organisations have pledged to contribute to the Afghanistan Reconstruction Trust Fund (ARTF). Of these, nine (including Germany, through its development cooperation) have earmarked part of their ARTF funds for the Education Quality Improvement Programme (EQUIP). Contributions through the ARTF preferred for EQUIP are administered by the World Bank and deployed by the Ministry of Education. EQUIP’s total funding levels are some 300 million US dollars, and around one-third of the total amount is from Germany. The United States will provide an additional 100 million US dollars for the education sector in Afghanistan over the next five years, and Canada will contribute an additional 80 million US dollars to EQUIP to promote education for girls and teaching staff as well as community-based educational facilities. Other major donors are Denmark and the United Kingdom. Furthermore, Afghanistan receives 55 million US dollars from the Global Partnership for Education, while the World Bank supports further development of the formal vocational education and training system to the tune of 55 million US dollars.

4.5.3 Germany’s development cooperation – goals and approaches

- The overall goal of German engagement in the education sector is to develop in cooperation with other actors (general and vocational) education sector which enables the population to improve their living standard through education, or to secure employment which will protect them against poverty.

- Nationwide rise in the number of students enrolled in primary school (classes 1 to 6) of 28 per cent from 6,400,000 in 2013 (2,700,000 girls) to 8,200,000 in 2017 (3,800,000 girls).

- Nationwide rise of 10 per cent per year in the number of young people who leave school with a diploma after 9th grade.

- 75 per cent of trained individuals will have found work within 12 months of completing vocational education and training (employment or self-employment, vocational training, higher education), of whom 20 per cent are women (random sample).

- 75 per cent of young people and young adults who have completed non-formal vocational training will have improved their economic situation within 24 months of training, of whom 15 per cent are women (random sample).

Germany’s development cooperation does not only consider education as a means to reap economic benefits but also as a human right of citizens. Consequently, Germany’s development cooperation in Afghanistan pursues its commitment both to general education and vocational training. It is very important, in this respect, that the Afghan population will credit progress in education to its own government.

Good teachers are key to establishing a high-quality education and vocational training system. German-Afghan development cooperation will therefore focus on strengthening teacher training through curriculum development, support to training centres for male and female teaching staff, and the construction and equipping of vocational training schools. Particular attention should be devoted to the cross-cutting issue of promoting girls and women. Access to education will be improved by instruments and strategies such as gender-sensitive school development, community mobilisation, including the active integration of religious authorities and village elders, and the promotion of professional development of teacher trainers on gender-sensitive learning. The aim is to ease the transitions between general education and all further stages of the education system and the labour market by improving the quality of teaching as well as facilitating a demand-oriented vocational training that prepares students for the needs of the world of work.

To date, the BMZ is the only donor mandated by the Afghan Ministry of Education to carry out a pilot project on vocational guidance in the public education system. The goal is to give students insights into the world of employment and provide help with career orientation. The transition between basic education and vocational education and training will be analysed in close consultation with the providers, to establish interlocking systems which prepare school leavers for the labour market or further training. Germany, through its development cooperation, is currently building on the initial experience gained in this field.

Apart from improving the quality of instruction, the most important long-term objective in the field of vocational education and training is to find a better content match between the different vocational training formats (formal, non-formal, informal) with a view to boosting economic development. This objective includes both the systematic development of the formal vocational education and training system and the vocational training of youths without access to formal education (in effect, only around 3 to 4 per cent of any particular class is reached by formal vocational training). An improvement in the quality of the informal vocational training system provided by the bazaars, where currently some 35 per cent of school leavers from any particular class
are trained, will improve the economic prospects of young adults.

The BMZ also provides financial contributions to the Education Quality Improvement Programme deployed through the ARTF to support the proper functioning of the public administration in the education sector.

4.5.4. Interfaces

Improved education and vocational training strengthens the employment opportunities of graduates. Therefore, curricula developed with the support of Germany’s development cooperation are designed to meet the expected requirements for the labour force. There is a need for close alignment between the curricula designed in, for example, vocational education and training, the knowledge required to achieve project goals in the area of agricultural value chains in the priority area of economic development and employment promotion (for example, light industry processing) as well as training needs in the water and energy sectors. In turn, the field of education, especially vocational education and technical training, can benefit from infrastructure investments in other sectors, insofar as an adequate power supply is, for example, required to transfer vocational education and training content sustainably.

Another interface involves improving the transition from basic education to vocational training, which is promoted through close coordination across all German development cooperation projects, through investigating the reasons why young people drop out of education and vocational training, and through better coordination of the different political lead agencies. In the field of good governance, the interface is to be found in the promotion of parents’ associations in schools, which further strengthens the need for and sustainability of public engagement in education.

4.6. COOPERATION IN FLEXIBLE PROGRAMMING

Two sets of measures have been flagged up in the flexible programming component of BMZ’s Afghanistan portfolio:

• The first comprises individual thematic emphases which highlight issues requiring the immediate attention of Germany’s development policy but do not make them a priority area, and address innovative issues which could be integrated into a priority area at a later time if they are judged to have been successful.

• The second identifies measures which serve to ensure that the portfolio remains functional and enhance aid effectiveness.

Germany, when undertaking its development cooperation, supports the following individual measures outside the priority areas:

• Outcome and impact monitoring and assessment/communication

There has been public debate in Germany and Afghanistan over the success of civil engagement in the context of the development activities undertaken by the German Federal Government and other international donors. Discussion has focussed on the attainability of the intended goals and the effective deployment of public funds. The inter-institutional tracking system on civil (re)construction established in 2010 will be further developed to explore more thoroughly the conceptual and technical possibilities of impact monitoring as an important basis for impact evaluation. This will improve the BMZ’s management capabilities and controls in terms of enhancing the effectiveness of German-Afghan cooperation aid. The data collected will be used to inform the Afghan people and the Bundestag regularly on what is being done to achieve civil reconstruction and how successful activities have been. The Afghan Government will be supported in developing its own ability to measure aid impact and communicate development issues and progress to its people. This will increase public support for development cooperation and, indirectly, the security of the players in the field.

• Eradication of polio

Together with Nigeria and Pakistan, Afghanistan is one of three countries in the world where polio remains endemic. Children are inadequately covered by vaccination campaigns and routine examinations, particularly in the country’s southern and eastern provinces where access poses a significantly greater risk as a result of the volatile security situation. In the period 2014–2017, Germany, through its development cooperation, will support the National Polio Eradication Initiative with a financial contribution of 10 million euros a year.

The following measures provide concomitant support to German development cooperation projects and programmes in Afghanistan.

• Security management

To ensure the personal security of seconded staff engaged in Germany’s development cooperation and support the success of the portfolio in Afghanistan, in November 2008, the German Federal Ministry for Economic Cooperation and Development (BMZ) and the German Federal Foreign Office (AA) commissioned a risk management programme aimed at development policy agencies and their implementing organisations: Risk Management – Afghanistan (RM-A) and its implementing structure, the Risk Management Office (RMO). These structures have proved their worth; however, they must be updated constantly and further developed in the light of potential changes in the security policy environment. For further information, see annex on security strategy.

• The BMZ Commissioners in the northern provinces

The BMZ maintains a staff presence in the priority provinces in northern Afghanistan. The BMZ Commissioners (known as Representatives North) coordinate the interventions of Germany’s development cooperation at province level (with, for example, other donors and ministries), assist the BMZ in the detailed design of the portfolio, ensuring that it remains needs-orientated and developed, and maintain close contact with the provincial government and other relevant actors in the provinces.

ANNEX

• Overview of priority areas of other bilateral and multilateral donors