

**ISLAMIC REPUBLIC OF AFGHANISTAN: NATIONAL REVIEW OF  
PROGRESS IN THE CONTEXT OF THE BRUSSELS PROGRAMME OF  
ACTION FOR THE LEAST DEVELOPED COUNTRIES**

**Note: All statistics in this report are approximate, and should not be taken as precise figures. They are drawn from data given in the Interim Afghanistan National Development Strategy.**

## **I, The Social and Economic Situation**

The Government's vision for Afghanistan's future can be seen in the 2004 Constitution. The Preamble sets out the goals. These include:

- (1) consolidation of national unity and safeguarding independence, national sovereignty and territorial integrity
- (2) establishment of a government based on the will of the people and a democratic system
- (3) creation of a civil society based on the rule of law, social justice and human rights
- (4) strengthening the political, social, economic and defensive institutions of the country
- (5) ensuring a prosperous life and sound environment for all persons living in Afghanistan
- (6) regaining Afghanistan's rightful place in the international community.

At present Afghanistan produces little. Furthermore, it lacks the means to produce. The economy is essentially operating with major inputs from illegal activities (principally drug related) and aid expenditures. This situation is not sustainable. The economic results of recent years, while promising, will not be maintained and improved unless the underlying social and economic structure is altered.

### *The Economic Position*

GDP growth in 2004/5 was 7.5%, half of the growth rate in the preceding year and a quarter of that two years earlier. Income per head is now approximately \$250. The growth rate is expected to rise again in 2005/6 to 13.6%.

The legal economy is heavily dependent on agricultural performance, which in turn is vulnerable to climatic conditions. More seriously, the production possibilities in agriculture have been gravely damaged by the years of destruction. Land, irrigation systems and transport have all been left in poor condition, very little rural credit is available, property rights are largely non-existent, and people are easily tempted to work in more lucrative activities of an illegal kind.

Government revenue is less than 5% of GDP, one of the smallest ratios in the world. The balance of trade is highly unfavourable, with legal exports representing only a very small proportion of imports. Both of these deficits mean that the economy will be unable to break out of the existing dependencies on illegal activities and foreign assistance unless the situation is changed.

Unemployment is very high. Currently more than 50% of the population under 18 years of age is estimated to be unemployed, thus the need for future job creation is great. This in turn depends on investment, which the government sector is not in a position to provide from its own resources. It is therefore essential that private investment, both

domestic and foreign, be stimulated. A necessary condition for substantial investment is that conditions of security are established. Hence the connection between social and political development, economic progress, and poverty reduction is strong.

Poverty in Afghanistan is widespread and persistent. Approximately 40% of the population does not have sufficient food at some time during the year. The problem is serious in urban as well as rural settings. The return of large numbers of refugees in recent years has exacerbated the urban problems. People are largely bereft of energy supplies, either to assist their production efforts or to protect them against the rigours of winter.

## **II. Progress towards Meeting the Commitments of the Brussels Programme of Action**

### *Commitment I: Fostering a People-Centred Policy Framework*

Afghanistan's process of reconstruction has focused strongly on its people. Given the history of conflicts, and the terrible trauma inflicted on all those who survived the conflicts, it could not be otherwise. While the condition of material poverty must be addressed, and is being addressed vigorously, the fundamental "social" needs of offering security, protection of human rights, absence of discrimination, respect for cultures, and the various other crucial dimensions of a people centred framework had to be placed at the centre of policies.

The framework contains several key elements. These include: a process for establishing a democratically elected national Government; an approach towards decentralisation and empowerment of provinces, districts and other levels of local Government; a major investment in the provision of physical security for the population; measures to remove discrimination in all its forms; protection of human rights; and the numerous steps on the economic and social fronts which allow individuals to lead dignified lives.

The framework is not yet complete, above all because time is required for many changes to have a real impact. But the process has been strongly and irrevocably launched over the past four years.

As the Statistical Master Plan Report has clearly spelled out, there is a severe lack of statistical data in Afghanistan. Reliable, comprehensive and timely data, however, is needed by the Government and its partners to pursue an evidence-based approach to making far-reaching decisions covering the entire span of economic and social dimensions. The Government is committed to developing sustainable statistical capacity to be able to measure and monitor progress against the Afghanistan Millennium Development Goal (MDG) targets.

### *Commitment II: Good Governance at National and International Levels*

Afghanistan has worked intensively to create a framework of good governance. Since 2001, two Loya Jirgas have been held, a Presidential election has taken place, and a National Assembly as well as Provincial Councils have been elected through proper national elections in which all adult women and men had the right to vote. The National Assembly held its opening session on 19 December 2005. Steps to further strengthen local governance in Afghanistan's 34 provinces are being taken, although district elections have still to take place.

The Government puts great emphasis on involving all relevant stakeholders in the development process down to the community level. Broad-based consultations have taken place as part of the constitution-making process as well as of the process for "Afghanising" the global MDGs. This will be repeated at an even larger scale down to the grass-roots level in 2006, during the process of formulation of the Afghanistan's full National Development Strategy (ANDS).

The Constitution guarantees that women should have at least 25% of the seats in the Lower House of Parliament. The Upper House of Parliament is appointed, and women are guaranteed a share of the seats which are appointed by the President. Afghanistan has acceded to the Convention on Elimination of All Forms of Discrimination Against Women in 2003.

Major steps are being taken to reform the judicial process, to strengthen the police, and to ensure that human rights are respected. The Afghan Independent Human Rights Commission was established in 2002, in accordance with the Bonn Process.

Afghanistan has demonstrated its determination to contribute to good governance in the region and in the world. It is a member of all key international conventions against narcotics and organised crime, as well as of the newly formed (late 2005) Central and South Asia Counter-Narcotics Security Working Group.

### *Commitment III: Building Human and Institutional Capacities*

Afghanistan has the highest proportion (approximately one in five) of school age children in the world. Yet half of these children do not attend school, and in some provinces this proportion is as high as 80%. In the 15-24 age group, which is the best-educated group of the population, there are more than one third illiterate. The education problems are more acute among girls than boys. Afghanistan has the lowest female literacy rate in the world.

Life expectancy at birth is estimated to be below 45 years, which seems to be considerably less than in other Asian countries. More than 20% of children die before the age of five, with more than half of these deaths occurring in the first 12 months. Afghanistan has nearly the highest rate of maternal mortality in the world, with the figure estimated at between 1600 and 2200 deaths per 100,000 live births. This national average of around 2% hides considerable variation, with a rate of almost 7% recorded in some

places. Fewer than 15% of births are attended by medically trained personnel. The high maternal mortality rate affects women of a very young age, since just over 50% of the female population is married before the age of 18, with first pregnancies generally occurring early.

The population is also subject to serious chronic diseases, even though current rates of prevalence may be lower than in some other LDCs. Malaria is found in 60% of the national territory and appears to be spreading into higher altitude regions, probably as a result of climatic warming. Rough estimates suggest that around 3% of the population is subject to this debilitating disease. Tuberculosis also registers a high incidence, and Afghanistan is among the 20 countries in the world with the highest incidence of the disease. Once more the female population is worse affected, with approximately 70% of the cases that are reported by public health facilities affecting women.

The incidence of HIV/AIDS is presently fairly low in comparison with levels in many other countries, but Afghanistan is very much at risk. Production of heroin is growing, and domestic consumption is rising. Intravenous drug use is on the increase, and surveys suggest that about 40% of users share needles. Knowledge about AIDS and how to prevent it is minimal, and cultural factors tend to hinder the growth of knowledge. Blood screening is non-existent. The risk of “importing” the problem is substantial. This is because several surrounding countries are themselves quite severely affected by the disease, and the growth of trade using Afghanistan as a transit country increases the chances of truckers and others bringing the disease into the country.

Afghanistan is seeking to act against these manifold problems. Realism requires an admission that fast results are difficult to obtain in most instances, though with malaria the quick distribution of insecticide-treated bed nets could yield large and immediate returns in terms of limiting the increase of the disease.

Currently, investments in the security sector, transport and infrastructure outweigh those in the social sectors. Of the disbursements in the period January 2002-March 2004, just about 10% were spent on the health and education sectors. While the spending on security and provision of infrastructure for growth of the private sector is necessary under the present circumstances, achievement of the MDGs hinges on significant investments in the social sectors, in particular for primary education; improved maternal and child health; and reducing the incidence and prevalence of major diseases. The Government is committed to this. As one of the benchmarks in the Interim ANDS (I-ANDS), the Government and the international community commit to enable more than 75% of girls and 85% of boys to attend primary school by 2010. Also, in 2010, it is envisaged that 95% of all districts in Afghanistan receive quality health services through expanding the Government’s Basic Package of Health Services.

#### *Commitment IV: Building Productive Capacities to make Globalisation Work*

Trade and investment are fundamental to breaking the vicious circle of poverty with which Afghanistan is faced. Investment is required both to create the necessary physical

and administrative infrastructure for production, and then to establish the actual facilities for production. The Government has devoted considerable effort to tackling the calamitous shortages of electricity, road systems, water supplies and related physical assets, and is engaged in constant efforts to improve the administrative systems. Thus far, success has been mixed. Electricity is in extremely scarce supply. Domestic resources could produce electricity, especially of mini hydro, before the end of the decade, but the country cannot wait so long. Hence it is essential to conclude arrangements with neighbouring countries, which could be suppliers. For this reason the Government is pursuing intensively the conclusion of regional bilateral agreements which will, it is hoped, provide electricity fairly soon. With the technical and financial assistance of different donors, the ring road circling Afghanistan and connecting it to its neighbours is under construction. Also, large-scale programmes are underway to rehabilitate farm-to-market access roads, which is expected to contribute to reduction of the levels of poverty.

The progress on legal and administrative systems to encourage investment has tended to be slower. While a number of new laws have been passed, and administrative decisions made, which aim to improve the situation, the changes will require some time before they yield effect – meaning before potential investors acquire sufficient confidence in the system. The same consideration applies to producers who are currently in the informal sector and who might be encouraged to be part of the formal sector. They will only enter the realm where their actions can more easily be monitored by the State if they feel that they obtain some tangible benefits in return.

In May 2003, and with the assistance of Germany, the Afghan Investment Support Agency (AISA) was set up. It has performed extremely well in terms of registering investors and developing a “one stop shop” service, which can help to overcome some of the difficulties and uncertainties faced by investors. The agency was ranked first in the world for providing this kind of service in the mid2005 World Bank publication “Doing Business in the World 2006”.

There is undoubtedly a very long way to go. The legacy of conflict has not only caused immense damage to the physical infrastructure, but also severely weakened the legal and administrative systems, and created extreme caution on the part of would be investors (and indeed sometimes on the part of would be contractors and traders). It follows that a significant challenge for the Government is to help build a strong positive image of Afghanistan in the world. The fact that the milestones set out in the Bonn Process were met, and that the Afghanistan Compact will be signed in London at the end of January, shows that major progress has been registered. The Compact itself establishes three pillars (Security; Governance, Rule of Law and Human Rights; and Economic and Social Development) as central to future progress. The international community is and will remain firmly supportive of Afghanistan in these efforts.

But additional proactive approaches are required to turn a climate of goodwill into a process of rapid change. For this reason the Government is pursuing policies to strengthen the external image through membership of relevant international and regional

organisations, improved services of the Afghanistan's embassies abroad, and related actions.

*Commitment V: Enhancing the Role of Trade in Development*

At present Afghanistan imports many times more than its legal exports. Whereas, some three decades ago, the country was a leading world exporter of dried fruits, internationally renowned for its carpets, provided many fine garments, and was notable for its tradition of design, today it is in an exceptionally weak trading position. This has arisen, of course, because production possibilities have been largely destroyed, and the skilled labour involved has either been killed or emigrated. The reputation and image of Afghanistan, however, remain. International buyers in these markets have never forgotten what Afghan producers and traders can do, if they have the possibility. The foreign sales of Afghan carpets, for example, remain significant. But the emigration of skilled producers, and of the high value added segments of the production chain, into neighbouring countries (primarily Pakistan), mean that the returns to the trade scarcely come to Afghanistan. Indeed, the finished articles are largely imported into Afghanistan from Pakistan for sale in the local market – the country has become an importer of a finished article for which it created a world reputation.

In the past four years of reconstruction, the Government has followed a policy unmistakably oriented towards encouraging inward trade. A radical revision of the whole tariff structure has led to Afghanistan now being by far the most liberal trade regime in the region. Quantitative controls on imports have been eliminated. Membership of all relevant regional trade and trade related organizations and programmes (ECO, CAREC, SCO, SAARC) has emphasized the commitment to liberalization, and this has been underlined still more by the conclusion of several bilateral trade arrangements. Internationally, in November 2005 Afghanistan officially launched its accession process to WTO.

These efforts to facilitate trade have been hindered by two factors. One is that regional markets remain difficult to access. Although Afghanistan would wish to expand exports to its neighbours, this expansion will not be easy to achieve in the short run. Potential export markets in OECD countries, and in major countries of Asia and the Arab Peninsula, are fairly open. For example, Afghanistan benefits from EBA treatment in EU, GSP treatment in US, and LDC treatment in Japan and Canada.

Though Afghanistan suffers from the hardships common to landlocked least developed countries, it could also potentially benefit from its strategic location. For centuries Afghanistan has been a hub connecting Asia, Europe and the Middle East. With the proper infrastructure, the country could function as a land bridge, connecting landlocked countries to the north and the Iranian and Pakistani seaports to the south. For the central Asian republics and the Russian industrial centres of western Siberia, Afghanistan is potentially the shortest route to the open sea.

Sharing borders with six neighbours, Afghanistan could link the region into an extended market of more than two billion consumers. In the next years, it will strive to pursue dialogue with neighbouring states to enhance and sustain its integration into the regional economy and markets. A great deal remains to be done to build trade competitiveness, namely to implement enabling policies, emphasising investments in agricultural productivity, trade-related infrastructure and competitive export industries. Substantial programmes of assistance are underway to try to overcome the obstacles, but these will take time before they yield their full results.

In short, there is clear recognition by Afghanistan of the huge importance of trade to pro-poor economic growth and poverty reduction; there have been substantial policy changes unilaterally, in the regional context, and in the multilateral arena, to demonstrate Afghanistan's commitment to trade; and substantial programmes to encourage trade in key sectors of export interest are in progress. A realistic appreciation of the impact of these efforts has to be that, in a highly dynamic and uncertain regional and international context, the positive results will still take a little time to appear. For external confidence to be maintained, it is crucial that the momentum of progress be continued.

#### *Commitment VI: Reducing Vulnerability and Protecting the Environment*

Given its geographic position, and given the enormous damage, which decades of conflict have done to the human, institutional and physical environments, Afghanistan is faced with a major challenge to work towards the attainment of the commitment to reduce vulnerability and protect the environment.

In a country where over 80% of the population relies directly on the natural resource base to meet its daily needs, widespread environmental degradation poses an immense threat to livelihoods. The depletion of forests and vegetation through illegal harvesting, widespread grazing and dry land cultivation increases soil and riverbank erosion and draws down the water table. This leads to further decrease in productivity of the land base and increased flood risk. It also causes hills around villages to become unstable, which contributed to deadly mudslides in the spring of 2005. Moreover, habitats for animals and plants disappear, which further strains food sources. All these factors contribute to accelerated rural out-migration. Environmental degradation in Afghanistan is both the result of and one of the causes of socio-economic inequities.

Reversing the loss of environmental resources is difficult. The Government is formulating a new land-use policy to help curb illegal logging - a major problem, especially along the border with Pakistan. Putting areas under legal protection and enforcing this protection can also help to protect the environment and safeguard forests. Currently, only 0.34% of the total land area in Afghanistan is protected by law. The Government aims to increase this proportion to 0.5% of the total land area by 2015. With an increasing population, there will be growing use of wood as a combustible and correspondingly an even greater loss in forest and vegetation cover. The proportion of the population using solid fuels in Afghanistan is currently as high as 100% in rural areas. Reducing the proportion to 90% in rural areas and 80% in urban areas by 2015, as

foreseen by the Afghanistan MDGs, depends on the availability of alternative energy sources and the level of awareness of communities.

Unlike in many other countries, carbon dioxide emissions and consumption of ozone-depleting CFCs, with a value of less than or equal to 0.046 metric ton per capita in 1999, do not contribute to environmental degradation in Afghanistan.

### Commitment VII: Mobilising Financial Resources

The fulfilment of the above commitments will require major financial support from the international community. In early 2004 the Government addressed the fact that the initial needs assessments presented at Tokyo had underestimated requirements. A report called *Securing Afghanistan's Future* calculated that, to provide security in Afghanistan and enable the people to live with some dignity (though still poor), would require investments of US\$27.6 billion committed over seven years and disbursed over 12.

The work done in preparation of the I-ANDS has taken this further. Although the London Conference of end January 2006 is not formally a pledging conference, the participants are now equipped with a highly articulated strategy, have the record of relative success before them, and have the experience from trying to obtain and use effectively the massive financial inflows of previous years. Thus it should be possible not only to continue to mobilise financial resources in the volume and quality required, but also to ensure much more impact-oriented use of funds.

### **III. Conclusions and Recommendations**

Afghanistan is striving to meet the Commitments of the Brussels Programme as well as the “Afghanised” MDGs. The efforts and time scale for achievement must be put in the context of transition.

Through the gains of the now completed Bonn process and the new Afghanistan Development Strategy, which lays down benchmarks for development for the next five years, Afghanistan has indeed put in place a pro-poor and people-centred framework for development. Basic institutions and policies for good governance have been established, and Afghanistan has made major progress in securing its rightful place among the nations of the world. Important strides have been made towards building productive capacities, and placing trade in a pivotal position in the growth process. The country is striving hard to reduce vulnerability and create an environment (not only physical, but also human and institutional), which allows development to take place. Afghanistan has thus far been relatively successful in mobilising the financial resources needed to accomplish the huge tasks with which it is confronted, although its own resources remain a very small percentage of total requirements.

For Afghanistan to continue successfully its attempt to create a secure, dignified setting in which its people can live, a number of conditions must be met. These conditions themselves are tantamount to recommendations for actions at several levels. The

international community must continue to provide fully adequate financial, technical and policy assistance to Afghanistan. Such assistance must, to the maximum extent possible, be made in ways which respect the objectives of the Afghan State, and which do not smother the possibilities for the full use of domestic resources, especially human resources.

Regional countries must recognise that Afghanistan today is determined to be a good neighbour in all respects, which sees its future as closely linked to the expansion of regional political and economic cooperation in all dimensions, and will do its utmost to implement the Good Neighbourly Relations Declaration signed in 2002.

Afghanistan itself will unswervingly pursue its course to fulfil the commitments of the Brussels Plan of Action by 2010. . It will strive to offer its citizens the lives which they deserve, respecting their dignity and diversity and putting in place the material, social and political conditions for broad-based development.