The drug problem in Afghanistan has become increasingly serious, as the country has become the main source of illicit opium and heroin in the world and the country’s share in the global opium production in 2004 was estimated to be as high as 87%. In 2004 the opium cultivation spread to all provinces in Afghanistan and the value of opium exports was equivalent to around 60% of Afghanistan’s 2003 licit GDP. The illicit drug industry has impact on the security situation in Afghanistan and neighboring countries; it helps funding illegal militias and terrorism; and it is destroying the reputation of the country. The government of Afghanistan is now recognizing the issue of counter narcotics and is increasingly committing to further activities in order to tackle the problem of opium poppy cultivation and the narcotics industry in the country.

The Trust Fund programme is aimed at mobilizing additional resources and channeling these through the Afghan Governmental Institutions in order to support the efforts of the Government in fighting the illicit drug production in Afghanistan. The programme will ring-fence donor assistance and support individual projects related to the pillars of the National Drug Control Strategy (NDCS) and the 2005 Counter Narcotics Implementation Plan.


The Counter Narcotics programme will be implemented through National Execution (NEX) modality.
SIGNATURE PAGE

Country: Afghanistan

UNDAF Outcome(s)/Indicator(s):
- By 2008, Government is enabled to comply with its obligations agreed to under international conventions, and to ratify other non-ratified conventions.
- By 2008, the national policy and planning frameworks more extensively provide for an enabling environment for the promotion of secure and sustainable livelihoods.
- By 2008, opportunities, skills, land and infrastructure that allow for active participation in a strengthened formal economy and private sector are improved, particularly for poor and vulnerable groups.

Expected Outcome(s)/Indicator(s):
- MYFF Service Line 1.2 Pro-poor policy reform to achieve MDG targets.
- MYFF Service Line 1.3 Local poverty initiatives, including micro-finance.
- MYFF Service Line 2.7 Public administration reform and anti-corruption.
- MYFF Service Line 4.1 Conflict prevention and peace building.
- MYFF Service Line 4.2 Recovery.

Executing entity: Ministry of Finance
Implementing entity: Ministry of Counter Narcotics
Other Partners: Line Ministries

Programme Period: June 2005 – December 2008
Programme Component: Democratic Governance
Project Title: Support to the Counter Narcotics Trust Fund (CNTF)
Project ID: 00045781
Project Duration: 42 months.
Management Arrangement: National Execution (NEX)

Total Budget US$900 million
General Management Support Fee 3%
Budget US$873 million
Allocated resources:
- Government
- Regular
- UNDP core funds US$0.3 million
- Other US$1.5
- In kind contributions n/a
- Unfunded budget US$898.2 million

Agreed by: Mr. Habibullah Qadri, Minister, Ministry of Counter Narcotics

Agreed by: Mr. Anwar-ul Haq Ahady, Minister, Ministry of Finance

Agreed by: Mr. Frederick Lyons, UNDP Country Director

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I. Situation Analysis

Afghanistan is one of the poorest and least developed countries in the world. According to the 2004 National Human Development Report for Afghanistan, the country is ranked 173 out of 178 countries on the Human Development Index. Afghanistan’s Millennium Development Goals (MDGs) indicators are below the majority of Sub-Saharan African countries; 70% of the population lives under the poverty line of $2 income a day. The per capita GDP is $190 per year, which increases to $300 when the illicit drugs economy is included.

During the past thirty years the area under illicit opium poppy cultivation has increased from 29,000 hectares in 1986 to 131,000 hectares in 2004. Due to decades of conflict, Afghanistan’s social, financial and physical infrastructure has been damaged and the rates of rural poverty, illiteracy, and infant and maternal mortality are among the highest in the world.

Whilst the majority (70-80%) of the population in Afghanistan depends on agriculture as a source of livelihood, the farming system is often weak and with a poor infrastructure limiting access to markets. Most of the farmers are small landholders and off-farm income opportunities are limited.

Afghanistan has become the main source of illicit opium and heroin in the world and the country’s share in the global opium production in 2004 was estimated to be as high as 87%. Furthermore, in 2004 the opium cultivation spread to all provinces in Afghanistan and the value of opium exports was equivalent to around 60% of Afghanistan’s 2003 licit GDP. The illicit drug industry also has impact on the security situation in Afghanistan and neighboring countries; it helps funding illegal militias and terrorism; and it is destroying the reputation of the country. At present, there are limited options on sustainable and licit alternative livelihood opportunities to pull people out of the drug industry.

The drug problem in Afghanistan has become increasingly serious. The government of Afghanistan and the international community are now more than ever before recognizing the issue of counter narcotics and are increasingly committing to further activities in order to tackle the crosscutting problem of illicit opium poppy cultivation and the narcotics industry in Afghanistan.

The Millennium Declaration and the Millennium Development Goals

At the General Assembly’s fifty-fifth session the resolution A/RES/55/2 was passed with the support of all the member states of the United Nations. The resolution endorsed the United Nations Millennium Declaration, which lays the foundation for the eight Millennium Development Goals (MDGs). The Millennium Declaration emphasizes to take concerted action against international terrorism, and to accede as soon as possible to all relevant international conventions.” and “To redouble efforts to implement world commitment to counter the world drug problem.”

1 UNDOC Annual Opium Poppy Survey, 2004
The UN Development Assistance Framework (UNDAF) was endorsed at the end of March 2005. It outlines the priorities and strategy for UN activities in Afghanistan from 2006 to 2008. The UNDAF builds upon the Common Country Assessment (CCA) of October 2004. The foundation of the UNDAF is human security and peace building and four interrelated areas of cooperation (Governance, Rule of Law and Human Rights; Sustainable Livelihoods; Health and Education; and Environment and Natural Resources) have been identified as critical for the UN System in Afghanistan to deliver assistance to the Afghan people and the Government. The UNDAF outlines the importance of facilitating legislative, policy, judicial and public administration reforms; improving citizen participation and awareness; and assisting in compliance with international commitments. The UNDAF also stresses the role of the illicit Afghan economy based on the cultivation of poppy and the importance of sustainable agriculture as a basis for counter narcotics policies as well as the health implications of the use of drugs in the country.

National and international decrees, treaties, conventions and resolutions regarding Counter Narcotics Initiatives

Many presidential decrees have been issued in the past years on the eradication of illicit cultivation, drug trafficking and processing in Afghanistan. Moreover, Afghanistan is a party to the 1961 UN Single Convention on Narcotics Drugs, the 1971 UN Convention on Psychotropic Substances and the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, Afghanistan has also endorsed national laws on narcotics in 1957, 1969 and 1991. The UN Security Council resolution 1378 of 14 November 2001 notes that Afghanistan should respect its international obligations, including by cooperating fully in international efforts to combat terrorism and illicit drug trafficking within and from Afghanistan”. Moreover, the Bonn Agreement of 5 December 2001 states that “The Interim Authority shall cooperate with the international community in the fight against terrorism, drugs and organized crime.”

Institutional Framework for Counter Narcotics Initiatives

The Counter Narcotics Directorate (CND) was established in October 2002 under the National Security Council and was transformed into the Ministry of Counter Narcotics (MCN) in December 2004. Presently, the MCN is in the process of establishing structures, roles and responsibilities for the Ministry and its departments, including drafting a Priority Restructuring and Reform (PRR) programme and other exercises to meet the criteria for a functional Ministry. The mandate of the MCN is to develop, monitor and coordinate effective counter narcotics policy.

The 5-year National Drug Control Strategy (NDCS) was endorsed in May 2003 and is subject to review during the year 2005. The overall objectives of the strategy are to eliminate the production, trafficking and consumption of illicit drugs in Afghanistan through five key approaches; Law Enforcement and Interdiction, Judicial and Legislative Reform, Alternative Livelihoods, Drug Demand Reduction, and Raised Awareness. The National Drug Control Strategy demonstrates the commitment of the Government of Afghanistan to eradicate opium poppy cultivation, processing and trafficking of illicit drugs into, within and out of the
country. The Strategy aims at reducing the cultivation by 70% by 1386 and a total elimination by 1391.

Based on the National Drug Control Strategy the 2005 Counter Narcotics Implementation Plan was developed. The Implementation Plan identifies eight pillars of intervention to tackle the poppy problem, namely:

1. Alternative Livelihoods
2. Building Institutions
3. Information Campaign
4. Drug Law Enforcement
5. Criminal Justice
6. Eradication
7. Drug Demand Reduction and Treatment of Drug Addicts
8. Regional Co-operation

In addition, the Implementation Plan calls for the creation of a Counter Narcotics Trust Fund to provide additional support to the efforts of the Afghan Government in implementing its counter narcotic strategy. This is an essential initiative and a one-time opportunity of utmost importance for assisting Afghanistan in tackling the illicit drug industry. The CNTF will finance activities relating to all eight pillars of the counter narcotics implementation plan.

The Trust Fund represents an important step forward and demonstrates the joint efforts of both the Government and its international partners to confront illicit drug cultivation, production and trafficking in Afghanistan. The Trust Fund will also empower the newly created Ministry of Counter Narcotics to deliver on its responsibilities of developing and coordinating counter narcotics policy.

The Trust Fund will ring-fence donor assistance and provide additional funding to the Core Development Budget and projects related to all pillars of the strategy. The key principles behind the Trust Fund include:

- Providing additional resources for the Government’s counter narcotics efforts.
- Ensuring transparency and accountability in the allocation and use of those resources.
- Enabling the Government to have greater ownership over implementation of its counter narcotic strategy.
- Promoting greater coherence in the funding of counter narcotics related activities.

The Trust Fund is a tool that can simplify the donor assistance process for counter narcotics activities. Furthermore, it is a harmonizing instrument for such counter narcotics initiatives, since criteria and definitions as well as policy and guidelines regarding counter narcotics projects have to be determined. The CNTF is one of the channels through which counter narcotics related projects in the Core Development Budget will be funded. By having control over these resources the Government will be able to allocate strategically CNTF finances to implement its counter narcotics strategy more effectively and efficiently.
UNDP has relevant experience in programme and Trust Fund implementation in Afghanistan. The Law & Order Trust Fund for Afghanistan (LOTFA) is an open Trust Fund for financial support to priority police activities. Moreover, the UNDP programmes Rebuilding the Justice Sector of Afghanistan and the National Area-Based Development Programme (NABDP) are counter narcotics related programmes.

II. Strategy

The basis for the Trust Fund to operate as a channel for counter narcotics assistance is outlined in the National Drug Control Strategy as well as the 2005 Implementation Plan. The United Nations System in Afghanistan derives its strategy from the strategies of the Afghan Government. The UNDAF and the UNDP Country Programme Document address counter narcotics as one of the challenges Afghanistan is facing. The Trust Fund administered by UNDP will support the strategies and the commitments of the Government of Afghanistan.

The role of UNDP as the administrator of the Trust Fund is essential in the delivery of the Fund in the way that it ensures national ownership, guarantees effective and efficient delivery and gives support to the Ministries. It is likely that some of the individual projects channeled through the CNTF will need the support and assistance of different UN agencies. Particular cooperation will be sought from United Nations Office on Drugs and Crime (UNODC) for strategy planning and coordination.

Projects funded through the Trust Fund will be assessed by the Ministry of Counter Narcotics against criteria supporting the National Drug Control Strategy to ensure lasting and sustainable results. The Trust Fund will build partnership between the MCN and the line ministries since the programmes and projects to be funded through the Fund will have to be developed in cooperation between the relevant ministries. All projects funded through the CNTF will be part of the Government’s Core Development Budget.

Programme

The Terms of Reference of the Trust Fund outline the purpose, objectives and administration of the Fund. CNTF expenditures will closely follow the requirements of these Terms of Reference, e.g. donors are encouraged to contribute to the fund without limitations. However, if a donor wishes to limit the contribution this may be done to the pillars (mentioned above).

Furthermore, the use of the Trust Fund contribution will follow the principles, policies and guidelines established by the Ministry of Counter Narcotics and approved by the Cabinet Sub Committee on Counter Narcotics.

Prioritization of projects funded through the CNTF will be a function of a number of factors that will be considered by the Ministry of Counter Narcotics, the Cabinet Sub-Committee on Counter Narcotics, and the CNTF Management Board when assessing the individual projects. These should be based on the CNTF’s overriding principle of providing
additional support that is strategically targeted to ensure effective implementation of the counter narcotics implementation plan/strategy. Key factors to consider will include:

- Appraisal of project financial management and whether they meet UNDP standards;
- Geographical location e.g. identified priority provinces;
- Absorption capacity of the line ministries/ agencies;
- Whether or not CN is mainstreamed in the project;
- Security situation in project location;
- Sequencing of eradication with provision of alternative livelihoods.

A set of broad criteria based on the 1384 (2005) Counter Narcotics Implementation Plan has been developed to assist line ministries and the Ministry of Counter Narcotics to determine whether projects have counter narcotics relevance. This will be updated following the revision of the NDCS, but will allow line ministries to decide whether or not to put a counter narcotics thematic marker on the Project Summary Sheet submitted to the Ministry of Finance. All projects with the counter narcotics thematic marker are potentially eligible for funding through the CNTF and should also be submitted to the MCN by the line ministries for review and assessment. Below follows a description of the pillars. The broad criteria for projects eligible for funding through the Trust Fund are found in Annex I.

Due to the dynamic environment in programme and project implementation in Afghanistan, the criteria need to be reviewed by the Ministry of Counter Narcotics and approved by the Cabinet Sub Committee on Counter Narcotics on a regular basis in line with reviews of the National Drug Control Strategy and the Counter Narcotics Implementation Plans.

1. Alternative Livelihoods:
The objective of this pillar is to reduce the level of dependency on the opium economy through the development of licit economic opportunities. Much of the Alternative Livelihoods interventions are implemented through four National Development Programmes: (i) Livelihoods and Social Protection; (ii) Roads; (iii) Natural Resource Management; and (iv) Trade and Investment. Rural development assistance will be provided to all provinces across Afghanistan; however, the priority of Alternative Livelihoods assistance will be given initially to the seven priority provinces (Badakshan, Farah, Ghor, Helmand, Kandahar, Nangarhar, and Uruzgan) responsible for more than 70% of cultivation in 2004, and where possible those provinces where farmers have responded positively to the President’s appeal not to plant poppy. The Government envisages a three-phased approach: (i) short-term subsidised activities that will have visible impact for those farmers and labourers who are not growing poppy in 1384 and thereafter; (ii) medium-term activities that will help develop specific sustainable alternatives; (iii) long-term activities that will create licit economic growth and new jobs. As of end April 2005, estimated funding commitment to Alternative Livelihoods activities amounts to around $380 million. Current estimates suggest that a third of this funding will be spent in the seven provinces that grow 70% of poppy. Alternative Livelihoods activities in ten provinces have been mapped and major gaps identified.

2. Building Institutions
The objective of this pillar is to have functioning counter narcotics implementing agencies and institutions and a properly resourced Ministry of Counter Narcotics responsible for the development and coordination of counter narcotics policy. The Government has now established the key institutions to implement the strategy namely: (i) the restructuring of the Counter-Narcotics Directorate to create the MCN; (ii) the creation of the Office of the Deputy Minister for Counter Narcotics within the Ministry of Interior; and (iii) the creation of the Office of the Deputy Attorney General for Counter Narcotics. The institutions have been established but it is important to note that significant capacity building and resourcing is required. The UK Government as lead nation on counter narcotics is in the process of appointing a contractor tasked to implement a programme of Strengthening Counter Narcotics Institutions in Afghanistan. The development of the Ministry of Counter Narcotics has also been constrained due to the lack of available physical facilities, but the Government has allocated new premises and the Ministry will relocate. The Government has also approved a revised personnel structure for the Ministry and granted approval for the Ministry to undergo a process of Priority Reform and Restructuring.

3. Information Campaign
The objective of this pillar is to conduct a sustainable long-term information campaign to increase public awareness and buy-in from key influencers across the country of the illegality of the opium industry and the development of licit alternatives; encourage compliance with law enforcement; and educate on the danger of drug addiction. The Ministry of Counter Narcotics with international technical support is directly responsible for the implementation of this pillar. The MCN coordinates closely with the line ministries. The initial primary focus of the campaign has been to increase awareness of the 2005 eradication programme in order to influence farmers’ future planting intentions. The principal method of communicating key messages has been through radio due to its national coverage. Monitoring and evaluation of the campaign is key. The recently completed UNODC 2005 Opium Rapid Assessment Survey reported that there had been a reduction in poppy planting due to farmer awareness of the illegality of planting poppy and the creditable threat of eradication. Other communication tools are presently being designed by the CN Ministry to enable the campaign to branch out and cover the other CN pillars so that the Government might better inform the population of the breadth of CN activity.

4. Drug Law Enforcement
The objective of this pillar is to reduce the production and trafficking in opiates through the establishment of an effective and sustainable drug law enforcement capacity. Specific structures within the past year have been established in the Ministry of Interior to strengthen the capability of drug law enforcement they are: (i) the Office of the Deputy Minister for Counter Narcotics responsible for delivery of drug law enforcement, and eradication activities; (ii) the Counter Narcotics Police of Afghanistan as the lead drug enforcement agency (which reports to the Deputy Minister for Counter Narcotics); and (iii) the Afghan Special Narcotics Force. Although these structures are in place, capacity is still weak in many areas; there is ongoing specialist technical capacity building through formal training and on the job mentoring. A long-term institutional development programme has been designed, but its implementation and resourcing is to take effect. Drug law enforcement is not only the task of the specific structures mentioned above, but of the Afghan National Police as a whole, for
which the Ministry of Interior is responsible. In particular improved border management by
the Border Police - in cooperation with customs - as well as effective control by the Highway
Police of access routes to border crossing points are indispensable instruments in the fight
against crossborder trafficking.

5. Criminal Justice System
The objective of this pillar is to establish capacity within the criminal justice system to
bring those implicated in the drugs trade to justice. It is acknowledged that within
Afghanistan the legal system is weak and unable to effectively bring to trial and effectively
prosecute implicated drug offenders. Progress has however been made. The Criminal
Procedures Code and the Counter Narcotics Law are its final stages of drafting, with the
Counter Narcotics Law expected to be legislated in the third quarter of 2005. In preparation
the Government has appointed a Deputy Attorney General for Counter Narcotics as well as
a Criminal Justice Task Force of investigators, prosecutors and judges. Initial specialist
training courses have been carried out and more are ongoing. Agreement has also been
reached to construct specialist counter narcotics court and prison facilities initially in Kabul
(to be in place by the end of 2005) and then in designated provincial locations.

6. Eradication
The objective of this pillar is to assist the Government of Afghanistan to develop the capacity
to conduct targeted and verified eradication, with reducing international support. As the
implementing department, the Ministry of Interior has to date followed two methods of
eradication, namely forced eradication implemented by the Central Poppy Eradication Force
and Afghan National Police and eradication implemented by provincial Governors. UNODC
has principally been responsible for the collection and verification of illicit crop information,
but over the past year a Central Poppy Eradication Cell has been established and the survey
department of the Ministry of Counter Narcotics has been enhanced to cross reference
information and seek further verification. UNODC survey reports are published in the public
domain.

7. Drug Demand Reduction and the treatment of addicts
The objective of this pillar is to reduce the demand for opiates within Afghanistan and
build up a network of treatment services across the country, including community based
treatment and counseling facilities. The Ministry of Counter Narcotics has contributed to
raising the profile and awareness of drug addiction and its socio-economic impact on
society. Previously drug addiction was classified as a mental health issue and as a result
received minor attention from an overstretched public health service. However the Ministry
of Public Health has now confirmed that it will appoint a Director in charge of all drug
addiction activities.

8. Regional Co-operation
The Afghan Government is committed to cooperating with neighbouring countries within
the framework of the Good Neighbourly Relations Declaration and will engage regional
partners in working across all pillars of the 1384 (2005) CN Implementation Plan. In
particular border management should be improved in cooperation with neighbouring states
and on a regional basis
III. Management arrangements

The Ministry of Counter Narcotics (MCN) is the implementing entity and the Ministry of Finance (MoF) is the executing entity for the overall CNTF programme. The Ministry of Counter Narcotics is responsible for the policy development and coordination and the Ministry of Finance for the financial management of the Trust Fund. The line ministries are the partners for projects funded through the CNTF.

Under National Execution (NEX) modality, the Islamic Republic of Afghanistan shall retain the overall responsibility for the nationally managed programme through its designated institutions – the Ministries of Counter Narcotics and Finance. The executive entities, with UNDP support, are therefore responsible for the overall delivery of the programme and the full involvement of the relevant departments in the programme activities.

In particular, the executing and implementing entities for the Trust Fund Programme shall:

- Assign, in consultation with UNDP, a National Director for the Programme, who will support the programme and serve as a focal point on the part of the Government.
- Identify, designate, make available, and if necessary recruit on a full time basis the staff that may be required for successful implementation of CNTF.
- Provide adequate office space and facilities, individual identification, and access to relevant buildings for the programme management unit.

The role of the Ministry of Counter Narcotics is overall coordination, monitoring and evaluation of ongoing counter narcotics projects as well as identification and development of counter narcotics proposed projects. The MCN is also responsible for the development of the National Drug Control Strategy (NDCS), implementation plans, policies and guidelines and to put these forward to the Cabinet Subcommittee on Counter Narcotics for endorsement. The Ministry of Counter Narcotic will focus implementation of projects under the pillars Institution Building and Information Campaign, subject to the National Drug Control Strategy and Counter Narcotics Law once legislated. The MCN will communicate strategic priority areas and request lead ministries and partners to propose counter narcotics projects for funding. Project proposals for CNTF funding will follow the Government of Afghanistan’s template and in addition include specific counter narcotics information. The Ministry of Counter Narcotics will identify projects to be funded through the Trust Fund. The Ministry of Counter Narcotics in cooperation with the relevant line ministry will monitor and evaluate CNTF projects. The MCN is also responsible for planning the budget and to report, in cooperation with the MoF, planned expenditures to UNDP. The management of the funds for activities under the CNTF Programme shall be based on an updated work plan with a corresponding budget. A team consistent of national and international staff at the Ministry will manage the Trust Fund. The national staff will be part of the Afghan civil servants system and the international staff will be recruited through the British Department for International Development’s (DFID) capacity building project “Strengthening Counter Narcotics Institutions in Afghanistan”. This project aims at building and strengthening the capacities within counter narcotics institutions and will provide international technical...
advisors to Afghan ministries. At least two technical advisors will be working with the national staff to manage the CNTF at the MCN. Moreover, the Ministry of Counter Narcotics will act as a secretariat to the Management Board, preparing the documentation for the meetings as well as the meeting minutes. Furthermore, an MCN representative may attend the Budget Committee as an observer in order to identify and record all counter narcotics projects.

The Ministry of Finance is the executing entity of the Trust Fund and has a central role to play in facilitating the approval and inclusion of CNTF funded projects in the Budget; both through the annual budget process and during the Mid-Year review.

The Ministry of Finance is responsible for coordinating all official assistance to the Government of Afghanistan, including management of grant activities and agreements, disbursement of funds, consolidation of information available on such grants and reporting to the donors. A standard protocol establishes the controls to be performed before authorization of payments, the establishment of accounts and the reporting requirements take place between the Grant Management Unit (GMU) of the respective line ministry, the Development Budget and External Relations Unit (DBER), and the Special Disbursements Unit (SDU) of the Ministry. In the MoF, the Development Budget and External Relations Unit is responsible for overall grant management activities, including preparation to agreement stage, and reporting; the Special Disbursement Unit within the Treasury Department is responsible for management of banking and disbursement activities and financial reporting.

The Ministry of Finance will release and channel the CNTF funds through the Treasury Department to the partners implementing projects. In the vast majority of cases this will be effected through the Ministry of Finance making payments of verified, and eligible expenditure incurred through the implementation of agreed upon projects. Every quarter, the Ministry of Finance in cooperation with the Ministry of Counter Narcotics will provide UNDP with detailed expenditure reports with forecast for next period in order to ensure timely and effective delivery from UNDP. An external Monitoring Agent (MA) within the Special Disbursements Unit will focus on the procedures for procurement and disbursement contracts before these are signed as well as monitoring, reporting and accounting of finances spent through the Trust Fund.

The line ministries are the partners of the Trust Fund and will work closely with the Ministry of Counter Narcotics to identify, develop and propose counter narcotics related projects within their mandated area to the MCN for funding through the Fund. The line ministries will be responsible for the implementation of the individual projects funded through the Trust Fund. This may include sub contracting project implementation to other partners.

The UNDP Country Office for Afghanistan will administer the fund in accordance with UNDP Financial Regulations and Rules. UNDP’s role as administrator is the coordination and management of funds e.g. follow up on released allocation; take action on reports from the Ministry of Counter Narcotics and the Ministry of Finance. Moreover, UNDP will
support the Afghan Government in resource mobilization for the Trust Fund and ensure that the necessary staff is available at its Country Office to manage the CNTF. UNDP Country Office will also be responsible for the coordination of the overall UNDP support to the Trust Fund, the channeling and follow-up of requests, and liaison with relevant partner institutions and stakeholders. The Country Office is responsible for the monitoring of expenditures, review of quarterly work plans and reports, and follow-up of recommendations of monitoring missions.

The overall roles of the Cabinet Sub Committee on Counter Narcotics under the chairmanship of the Minister of MCN and with members from the line ministries is to act as the Afghan Government body responsible for the development of the Counter Narcotics Strategy and Implementation Plans; to act as the Afghan Government’s decision-making authority on counter narcotics policy for decisions that do not need the formal approval of the Cabinet; and to monitor and evaluate progress on the implementation of the Afghan Government’s counter narcotics policies. Moreover, the role of the Cabinet Sub Committee on Counter Narcotics regarding the Trust Fund is to approve on behalf of the Afghan Government the priorities for expenditure from the Fund and set guidelines and policies for the allocation of CNTF funds. The Cabinet Sub-Committee on Counter Narcotics will review and agree overall allocation of CNTF resources, but individual project proposals will be approved by the CNTF Management Board.

As per Terms of Reference Annex III, the Management Board will consist of international and multilateral partners, as well as the GoA. The Management Board will govern the Trust Fund and review, assess and approve projects eligible for CNTF funding based on the criteria and guidelines provided by the Afghan Government. The project proposals also have to meet UNDP requirements and follow CNTF standards, e.g. submission through the proper project proposal procedure. The Board will meet at least on a monthly basis.

The objectives of the Steering Committee are to ensure effective, efficient and transparent implementation of UNDP’s support to, and administration of, the Counter Narcotics Programme. The Steering Committee consists of the Management Board members, major donors and other relevant partners. The Committee will provide guidance on strategy for Trust Fund administration, fund mobilization, programme implementation and ensure that the roles and responsibilities of this programme vis-à-vis other Trust Funds and Programmes are clearly defined, as per attached Annex IV. The Steering Committee is strictly focused on the oversight of UNDP as Fund administrator and will meet quarterly.
IV. Monitoring, Evaluation, Reporting and Audit Arrangements

Monitoring

Projects and activities funded through the Trust Fund will be regularly monitored by the Line Ministries, MCN, UNDP and other stakeholders. Though the projects’ monitoring responsibilities primarily remains with implementing and executing agencies, nevertheless, UNDP will develop and implement annual and quarterly field monitoring plan to visit the project sites on a random basis. The field monitoring schedule will be shared with the MCN and donors in advance in order to facilitate joined missions. Findings of the field visits would be share with the Government of Afghanistan and donors through the quarterly reports.

The MCN may prepare more regular monitoring schedule in coordination with the line ministries to visit individual project activities. Reports from such mission would be shared with UNDP.

A monitoring agent will be assigned at the Ministry of Finance to monitor fund flow and financial expenditure.

Evaluation

The programme design incorporates a strong focus on evaluation throughout the life span of the programme. These evaluations may include recommendation for follow up and corrective measures, if needed.

An independent mid-term evaluation organized by UNDP should be undertaken within two years of the programme implementation. At the completion of the CNTF programme a final evaluation will be carried out to assess the impact of the programme and draw lesson learned.

Reporting

UNDP will provide the donors, the Management Board and the Government of Afghanistan with a CNTF programme progress report and provisional financial data on a quarterly and annual basis.

The Ministry of Finance, together with the Ministry of Counter Narcotics, shall report to UNDP quarterly with a monthly detailed expenditure plan and a forecast of funding requirements for the next period.

The line ministries shall provide the Ministry of Finance and the Ministry of Counter Narcotics with project progress reports and financial data.
Audit Arrangements

The National Execution Modality audit regime applies to the Trust Fund in regard to auditing arrangements. The audit will, therefore, be the responsibility of the Auditor General of the Islamic Republic of Afghanistan.

The Fund shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP as related to National Execution Modality on an annual basis. UNDP will assist the Auditor-General to organize annual audit of the programme as per UNDP regulations and rules, as needed.
V. Legal Context


2. The two letters dated 2 October and the 12 October 2005 and 16 October 2005 letters (total four letters) exchanged between the parties and attached hereto as Annex VI are incorporated as an integral part of the terms agreed by the parties, and shall be given effect over any inconsistent provision of this agreement.
VI. Results and Resources Framework

The results and resource framework builds upon the National Drug Control Strategy and the 2005 implementation plan and its eight pillars. CNTF funded projects carried out to meet the Strategy will have to support the below outcomes, outputs and activities.

<table>
<thead>
<tr>
<th>Programme Results and Resources Framework</th>
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<tbody>
<tr>
<td><strong>Intended Outcome:</strong></td>
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<td><strong>Outcome indicators, baseline, and target:</strong></td>
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<tr>
<td><strong>Applicable MYFF Service Lines:</strong></td>
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<td><strong>Partnership Strategy:</strong></td>
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<td><strong>Project title and ID:</strong></td>
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<tr>
<th>Alternative Livelihoods</th>
<th>Intended Outputs</th>
<th>Indicative Activities</th>
<th>In puts in US$ (anticipated)</th>
<th>Remarks</th>
</tr>
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<tbody>
<tr>
<td><strong>Output 1:</strong> Increased access to sustainable licit livelihoods opportunities for all citizens in every province of Afghanistan</td>
<td>Activity 1.1: Provide seeds, fertilisers and other agricultural inputs and improve access to markets. Activity 1.2: Provide productive rural infrastructure and alternative employment for day labourers and farmers in poppy areas, incl. key agriculture, irrigation, community development, micro-credit initiatives as well as construction of roads, bridges and dams. Activity 1.3: Break the cycle of dept and develop licit businesses through provision of alternative sources of rural credit, design of specific instruments to address opium related debt as well as identify Afghan products and associated supply chains, markets and support services. Activity 1.4: Empower local communities to take decisions about their development priorities and take responsibility for reducing poppy cultivation in their areas, incl. establishing community development councils.</td>
<td>(Figures to be based on growth projections in Securing Afghanistan’s future?)</td>
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### Building Institutions

**Output 2:** Strong, well resourced, staffed and coordinated Afghan Government CN institutions in Kabul and at provincial level leading an international effort to eliminate poppy cultivation in Afghanistan.

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**Activity 2.1:** Create and empower the MCN (at central and provincial government levels) with resources, skilled and experienced staff, and provide high-level support to develop and coordinate effective CN policy.

**Activity 2.2:** Strengthen the CN functions of the other Government Ministries and agencies including the Ministry of Interior’s CN functions.

**Activity 2.3:** Develop effective mechanisms to plan and coordinate CN activities of line ministries and donors and report on these.

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### Information Campaign

**Output 3:** Comprehensive and credible Ministry of Counter Narcotics led information campaign that discourages involvement in the drug industry and effectively supports all pillars of the Islamic Republic of Afghanistan’s National Drug Control Strategy.

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**Activity 3.1:** Extend the information campaign to cover all pillars of the NDCS and promote all activities that aim to eliminate the drugs industry.

**Activity 3.2:** Publicise and promote availability of alternative livelihoods (AL) assistance, and mainstream CN messages into PR campaigns focused on development assistance more generally.

**Activity 3.3:** Enhance communications on the increased risk of cultivation, production and trafficking in line with growing law enforcement and criminal justice capacities, incl. through Radio and TV programmes with country wide coverage.

**Activity 3.4:** Produce and improve methods of distribution of “Give Aways” and printed materials.

**Activity 3.5:** Maximise opportunities by understanding different audiences and targeting the right messages through the most effective media.

**Activity 3.6:** Build PR capacity (national and provincial) in the Ministry of Counter Narcotics and other relevant line ministries.

**Activity 3.7:** Increase the support from Governors, religious leaders and provincial law enforcement bodies.

**Activity 3.8:** Maintain and increase international assistance for CN work in Afghanistan.
### Drug Law Enforcement

**Output 4:** Drug Law Enforcement agencies in Afghanistan able to maintain a significant reduction in the processing and trafficking of opiates

*Activity 4.1:* Ensured an adequately resourced and effectively managed Counter Narcotics Police of Afghanistan (CNPA) that is accountable for delivery under the NDCS, incl. through training to improve the capacity to manage budgets, resources and staff.

*Activity 4.2:* Establish and maintain an effective intelligence and investigation capability within the CNPA which serves as a model for drug-related intelligence and investigation work for all law enforcement agencies associated with drug enforcement.

*Activity 4.3:* Enable the CNPA and other law enforcement agencies to conduct drug law enforcement operations in all key geographical areas and ensure that they have the capability to operate against all levels of narcotics targets, resulting in seizures, arrests and disruption of the drug trade incl. through establish, equip and train different units and teams.

*Activity 4.4:* Ensure development and maintenance of a professional approach to drug law enforcement through training and mentoring activities and similar initiatives.

*Activity 4.5:* All law enforcement agencies carry out their roles and responsibilities on drug law enforcement as defined in national legislation and codes of practice and conduct training for the relevant staff.

*Activity 4.6:* Develop international cooperation on drug law enforcement at strategic, tactical and operational levels.

### Criminal Justice

**Output 5:** Drug-lords find it difficult to operate due to the Government of Afghanistan’s ability and commitment to enforcing domestic counter narcotics legislation and fulfillment of commitments to international anti-drugs charters.

*Activity 5.1:* Strengthen Afghan CN law enforcement and criminal justice capacity to a level where rule of law can be established, particularly over major traffickers incl. through appointment of special drugs prosecutors and judges, special court and prison facilities for drug related crimes, and develop a legal framework to support the justice system.

*Activity 5.2:* Developed a Criminal Justice Task Force (CJTF) capable of operating to the highest professional standards and with full integrity.

*Activity 5.3:* Ensure effective coordination with broader judicial reform.
### Eradication

**Output 6:** The Government of Afghanistan, with limited and reducing international support, is able to target, eradicate and verify ground-based eradication in order to establish and maintain the means to deliver a credible threat to opium poppy cultivation, free up fertile land and generate labour for legal agricultural activity.

- **Activity 6.1:** Create an effective, sustainable reduction in opium poppy cultivation by a credible, ground-based threat of crop eradication incl. identifying eradication methods and taking decisions on which to use.
- **Activity 6.2:** Locate and map all large-scale opium poppy cultivation countrywide accurately.
- **Activity 6.3:** Target and carry out eradication at the most effective time in the crop cycle in areas with access to AL accurately.
- **Activity 6.4:** Increase the Afghan capacity to locate, target, eradicate and verify each year’s opium poppy crop through training.
- **Activity 6.5:** Ensure transparency in the verification of eradication.

### Drug Demand Reduction and Treatment of Drug Addicts

**Output 7:** The Afghan population aware and educated of the risks and dangers of drug abuse and a comprehensive and coordinated drug treatment, rehabilitation, aftercare and social reintegration programme established in key provincial centres, including residential treatment centres and community-based services

- **Activity 7.1:** Ensure effective coordination, monitoring and evaluation of all demand reduction programmes and activities.
- **Activity 7.2:** Establish a national Training of Trainers programme to provide a basic understanding of drugs, drug dependency and drug abuse prevention methods for a range of social multipliers.
- **Activity 7.3:** Mainstream demand reduction in development activities of relevant Ministries and the NGO sector.
- **Activity 7.4:** Integrate information about drugs and drug abuse into primary and secondary school curricula, the curricula of relevant professional associations university departments and colleges nationwide.
- **Activity 7.5:** Develop and approve policy papers for demand reduction in Afghanistan to ensure development of minimal quality standards and practices for service providers;
- **Activity 7.6:** Develop a seamless and comprehensive national network of drug treatment and rehabilitation services, both community-based and residential including counseling and gathering facilities.
- **Activity 7.7:** Establish a national demand reduction training and
research centre to ensure evidence-based practice is carried out by competent, trained and supported staff.
Activity 7.8: Construction of treatment facilities

| Regional Co-operation |  |
|-----------------------|  |
| **Output 8:** Effective regional cooperation with GNRD member states leads to increased seizures, arrests and prosecutions linked to the drugs trade. Regional countries contributing to all pillars of counter narcotics activity | Activity 8.1: Improve regional operational contact and intelligence sharing on drugs, precursors and illegitimate money flows, including joint monitoring activities.  
Activity 8.2: Strengthen border controls between Afghanistan and GNRD members.  
Activity 8.3: Secure greater political and financial commitment from GNRD members to combat the cultivation and trafficking of opiates in Afghanistan. |

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VII. Total Budget

No firm figure exists at this point in time as regards the total funding requirements to implement the National Drug Control Strategy. It is estimated that this could be in the region of US$300-US$ 1,200 million over the next four years.

As part of its work, the CNTF team in MCN will seek to derive a better estimate of these requirements. This will then form the basis for developing a Public Investment Programme for Counter Narcotics. The requirements will also take into account spending capacities of the ministries and overall fiscal sustainability impacts.
## Annual Work Plan

**Year: 2005**  
**Project Number:** 45781

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<thead>
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<th>Proj.ID</th>
<th>Expected Output</th>
<th>Key Activities</th>
<th>Time Frame</th>
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Support to Counter Narcotics Trust Fund Programme
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<td>Annex I</td>
<td>Counter Narcotics related Projects’ Indicative Eligibility Criteria</td>
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<td>Terms of Reference Monitoring Agent</td>
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<td>Annex III</td>
<td>Terms of Reference Management Board</td>
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<td>Terms of Reference Steering Committee</td>
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<td>Annex V</td>
<td>Legal Context</td>
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<td>Annex VI</td>
<td>Correspondence between GoA and UNDP</td>
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Annex I. Counter Narcotics related Projects’ Indicative Eligibility Criteria

Note: this is not an exhaustive list of acceptable activities to deliver identified outputs and outcomes. It is rather a guide for ministries that are developing projects and for decision-makers on the acceptability of submitted project proposals. Additional activities can be submitted and approved if they are expected to achieve the desired outputs and outcomes.

### 1. Building Institutions

<table>
<thead>
<tr>
<th>Pillar Objectives</th>
<th>Pillar Investment Area / Criteria</th>
<th>NDP / NPP</th>
<th>Line Ministries</th>
</tr>
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<td><strong>Objectives</strong></td>
<td><strong>Pillar Objectives</strong></td>
<td><strong>Pillar Investment Area / Criteria</strong></td>
<td><strong>NDP / NPP</strong></td>
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<tr>
<td>a) Provide capacity building to the MCN and establish the Cabinet Sub-Committee for CN</td>
<td>1. Strengthening Ministry of Counter-Narcotics structures at headquarters and provincial levels</td>
<td>Does the project:</td>
<td>PARE</td>
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<tr>
<td>b) Develop Afghan Government Implementation Plans for the next 5 years</td>
<td></td>
<td>a) Provide capacity building support?</td>
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<tr>
<td>c) Establish the Counter-Narcotics Trust Fund</td>
<td>b) Provide support to strengthening systems and processes within MCN?</td>
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<tr>
<td>d) Build capacity of the Office of the Deputy Minister for CN</td>
<td>c) Provide technical assistance and advisory support to the MCN?</td>
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<tr>
<td>e) Improve capacity to deliver the NDCS at provincial level</td>
<td>d) Contract staff to the MCN for specific assignments?</td>
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<tr>
<td></td>
<td>e) Provide support to strengthening monitoring and evaluation capacity of MCN?</td>
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<td></td>
<td><strong>3. Implementing line ministries / agencies</strong></td>
<td>Does the project:</td>
<td>PAREM</td>
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<tr>
<td></td>
<td>a) Provide capacity building support to develop CN-related strategies and implement CN projects?</td>
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<td></td>
<td>b) Provide support to strengthening systems and processes relating implementing CN strategy?</td>
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<td></td>
<td>c) Provide technical assistance and advisory support on CN related issues?</td>
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<td></td>
<td>d) Provide support to strengthening monitoring and evaluation of CN-related projects?</td>
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<td></td>
<td><strong>4. Mainstreaming the counter-narcotics agenda to maximise project impact</strong></td>
<td>Does the project:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Provide support to MCN, line ministries and agencies to mainstream CN into national policies and programmes?</td>
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### 2. Information Campaign

<table>
<thead>
<tr>
<th>Pillar Objectives</th>
<th>Pillar Investment Area / Criteria</th>
<th>NDP / NPP</th>
<th>Line Ministries</th>
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</thead>
<tbody>
<tr>
<td><strong>Objectives</strong></td>
<td><strong>Pillar Objectives</strong></td>
<td><strong>Pillar Investment Area / Criteria</strong></td>
<td><strong>NDP / NPP</strong></td>
</tr>
<tr>
<td>a) Effective pre-planting media campaign to increase the perception of risk involved in poppy cultivation</td>
<td>1. Promotion and dissemination of the National Drug Control Strategy CN pillar implementation plans</td>
<td>Does the project:</td>
<td>CHMS</td>
</tr>
</tbody>
</table>
b) Gain commitment from key influencers in principal poppy cultivating areas to actively publicly support the CN strategy

c) Use various methods to communicate the CN strategy

d) Strengthen capacity to mount CN information campaigns

e) Identify the concerns of the Afghan population in relation to CN activities and the effectiveness of the campaign to direct future operations

- a) Promote national awareness of the NDCS and implementation plans and the risks of being involved in poppy cultivation?
- b) Enable monitoring and evaluation of the impact of the awareness campaign?
- c) Promote commitment from key actors to actively support CN strategy?
- d) Promote international awareness of the drug problem in Afghanistan to attract more international financing?

<table>
<thead>
<tr>
<th>2. Linkages to National Priority Programmes (NPPs) to enhance community based communication, participation and decision-making, with an initial emphasis on the priority provinces</th>
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<tbody>
<tr>
<td>Does the project:</td>
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<tr>
<td>a) Promote CN-related communication component within an NPP?</td>
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<td>b) Provide training of the NPP representatives to implement the CN communication component?</td>
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<tr>
<td>c) Strengthen capacity to monitor and evaluate capacity of the impact on the CN communication component at community level?</td>
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<th>3. Profile and awareness of drug addiction and its socio-economic impact on society</th>
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<td>Does the project:</td>
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<tr>
<td>a) Design and implement a national campaign defining the impact of drug addiction on society?</td>
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<td>b) Monitor and evaluate the impact of the awareness campaign?</td>
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<th>3. Alternative Livelihoods</th>
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<td>MAAHFF</td>
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<td>a) NDPs resourced and effective, including in key priority provinces</td>
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<td>b) CN objectives mainstreamed into programmes</td>
<td>a) Provide agricultural inputs (e.g. seeds, fertilisers, extension services, post harvest technologies, improving access to markets, animal husbandry, forestry based enterprises) that will promote alternative livelihoods?</td>
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<td>c) Policies and regulations supportive of agricultural development</td>
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<td>d) Policies and regulations supportive of</td>
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<td>MRRD, MoPW, MAAHFF, MoT</td>
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<td>Does the project:</td>
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<td>a) Develop / renovate productive infrastructure?</td>
<td>a) Develop / renovate productive infrastructure?</td>
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<td>b) Implement short-term cash for work programmes that will induce labour away from participating in poppy cultivation?</td>
<td>b) Implement short-term cash for work programmes that will induce labour away from participating in poppy cultivation?</td>
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<td>Private sector development</td>
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<td>e) Effective democratically elected government bodies at district and province level</td>
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<td>f) Land and water rights clarified</td>
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<td>g) Improved terms of trade for Afghan producers of illicit products</td>
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<td>h) AL to form part of an area based development plan in priority provinces</td>
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<td>i) A wide range of income generating activities, with demonstrable benefits with effective up take</td>
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<td>j) Employment opportunities through labour intensive public works</td>
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<td>k) Access to food aid when required</td>
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<td>l) Improved capacity and coordination within implementing ministries</td>
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<td>m) Improved capacity of communities to manage resources</td>
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<td>n) Productive infrastructure development</td>
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<td>o) National products are competitive in the local market</td>
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<td>p) Improved access to a range of credit instruments</td>
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<td>q) Access to agricultural support service</td>
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<td>r) Access to business development services</td>
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<th>3. Rural financing and poppy debt management</th>
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<td>a) Establish micro-credit facilities in all provinces?</td>
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<td>b) Promote access to commercial banking facilities at provincial level?</td>
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| c) Develop and implement long-term employment opportunities that will induce people to no longer cultivate poppy? |

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</tr>
<tr>
<td>a) Develop productive infrastructure that will promote engagement in licit economic activities?</td>
</tr>
<tr>
<td>b) Promote private sector development that generates employment opportunities and integrates rural livelihoods (i.e. investment in agro-processing) to promote engagement in licit economic activities?</td>
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<tr>
<th>LSP MISFA</th>
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<tbody>
<tr>
<td>MRRD, MAAHF</td>
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<tr>
<th>5. Governance</th>
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</thead>
<tbody>
<tr>
<td>Does the project:</td>
</tr>
<tr>
<td>a) Contribute to the legal establishment of provincial / district representation structures to promote community based CN-related projects?</td>
</tr>
<tr>
<td>b) Promote community based decision-making and responsibility for localised development with CN focus?</td>
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<thead>
<tr>
<th>LSP NSP NABDP</th>
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<tbody>
<tr>
<td>MRRD, MoI, MoEn</td>
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<tr>
<th>6. Social safety net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the project:</td>
</tr>
<tr>
<td>a) Provide emergency food aid due to failure of staple crops in poppy dominated provinces?</td>
</tr>
<tr>
<td>f) Provide emergency food aid due to lack of short-term viable livelihoods in poppy dominated provinces?</td>
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<th>LSP</th>
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<tr>
<td>MRRD, MAAHF</td>
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<tr>
<th>7. Counter-narcotics mainstreaming agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the project:</td>
</tr>
<tr>
<td>a) Provide support to line ministries and agencies to mainstream CN into</td>
</tr>
</tbody>
</table>

| MRRD, MAAHF, MoPW, MoC, MoT, MoI, MoEn |
4. **Drug Law Enforcement**

<table>
<thead>
<tr>
<th>Pillar Objectives</th>
<th>Pillar Investment Area / Criteria</th>
<th>NDP / NPP</th>
<th>Line Ministries</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Agree and deliver an implementation plan for the CNPA</td>
<td><strong>1. Counter-Narcotics Police of Afghanistan (CNPA)</strong>&lt;br&gt;Does the project:&lt;br&gt; a) Develop managerial, operational and administrative skills?&lt;br&gt; b) Provide training and development support to CNPA staff?&lt;br&gt; c) Enable the CNPA to carry out its role in drug law enforcement by providing infrastructure, resources or skills?&lt;br&gt; d) Develop capacity to monitor and evaluate the performance of the CNPA?</td>
<td>NPLE&amp;S</td>
<td>MCN, MoI, ONSA</td>
</tr>
<tr>
<td>b) Afghan Special Narcotics Force to be expanded and made more effective</td>
<td>d) Improve CN training of Afghan National Police</td>
<td></td>
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<tr>
<td>c) Agree and deliver CN implementation plan for the Border Police</td>
<td></td>
<td></td>
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<tr>
<td>d) Improve CN training of Afghan National Police</td>
<td><strong>2. Law enforcement and intelligence agencies in Afghanistan including the Afghan National Army</strong>&lt;br&gt;Does the project:&lt;br&gt; a) Enable law enforcement and intelligence agencies to implement CN legislation?&lt;br&gt; b) Build capacity, systems and processes in law enforcement agencies to investigate drug related criminal activities?&lt;br&gt; c) Mainstream drug law enforcement training into ongoing training programmes for other law enforcement and intelligence agencies and the Afghan National Army?</td>
<td>NPLE&amp;S</td>
<td>MCN, MoI</td>
</tr>
<tr>
<td></td>
<td><strong>3. Intelligence culture for the CNPA and other law enforcement agencies</strong>&lt;br&gt;Does the project:&lt;br&gt; a) Develop and roll out an intelligence model to be adopted across all law enforcement agencies?&lt;br&gt; b) Develop capacity and provide resources to manage drug related intelligence material?</td>
<td>NPLE&amp;S</td>
<td>MCN, MoI</td>
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</tbody>
</table>

5. **Criminal Justice**

<table>
<thead>
<tr>
<th>Pillar Objectives</th>
<th>Pillar Investment Area / Criteria</th>
<th>NDP / NPP</th>
<th>Line Ministries</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Counter-Narcotics Criminal Task Force to fast track development of CN cases within the criminal justice system.</td>
<td><strong>1. Intelligence targeting capability that can be transferred into successful prosecutions</strong>&lt;br&gt;Does the project:&lt;br&gt; a) Develop intelligence, investigation and prosecution capacity of CNPA via CJTF (linked objective)?</td>
<td>NPLE&amp;S</td>
<td>MoI, AG, MoJ, SC</td>
</tr>
<tr>
<td>b) Afghan law governing CN and criminal</td>
<td><strong>2. Counter-narcotics legal framework</strong></td>
<td>Justice</td>
<td>MCN, MoI, AG,</td>
</tr>
</tbody>
</table>
procedures to be reviewed and improved

c) Secure court and prison facilities to be developed for use in major CN cases

<table>
<thead>
<tr>
<th>Does the project:</th>
<th>MoJ, SC</th>
</tr>
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<tbody>
<tr>
<td>a) Provide for the preparation, introduction, training and dissemination of key legal structures and processes including the Criminal Procedures Code; Counter-Narcotics Law; International Legal Instruments to Fight Organised Crime and Drug Related Crimes?</td>
<td></td>
</tr>
<tr>
<td>b) Establish, implement and monitor operational / implementation guidelines for the CN law?</td>
<td></td>
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</tbody>
</table>

3. Criminal Judicial Task Force (CJTF)

<table>
<thead>
<tr>
<th>Does the project:</th>
<th>Justice</th>
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<tbody>
<tr>
<td>a) Contribute to establishment and effective functioning of the CJTF (e.g. specialist investigators; specialist prosecutors; specialist judges; protection unit; training and development; accommodation facilities; contracted specialists)?</td>
<td>MCN, MoI, AG, MoJ, SC</td>
</tr>
</tbody>
</table>

4. Physical structures and processes in place to prosecute, convict and imprison all levels of narcotic criminals

<table>
<thead>
<tr>
<th>Does the project:</th>
<th>Justice</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Develop the Office of the Deputy AG Counter-Narcotics?</td>
<td>MCN, MoI, AG, MoJ, SC</td>
</tr>
<tr>
<td>b) Provide support for construction of secure court prison facilities?</td>
<td></td>
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<tr>
<td>c) Assist in the establishment of a secure regime in compliance with international penal standards and ECHR?</td>
<td></td>
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<tr>
<td>d) Develop formal systems of cooperation with international partners to extradite drug traffickers?</td>
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</tbody>
</table>

6. Eradication

<table>
<thead>
<tr>
<th>Pillar Objectives</th>
<th>Pillar Investment Area / Criteria</th>
<th>NDP / NPP</th>
<th>Line Ministries</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Evaluation of 2004 eradication campaign</td>
<td>1. Eradication</td>
<td>NPLE&amp;S</td>
<td>MCN, MoI</td>
</tr>
<tr>
<td>b) Targeted 2005 campaign planned</td>
<td>Does the project:</td>
<td></td>
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<tr>
<td>c) Provincial eradication capability to be developed</td>
<td>a) Develop an Afghan led method of provincial annual eradication?</td>
<td></td>
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</tr>
<tr>
<td>d) Governors and Police Chiefs to be instructed on provincial led eradication campaign</td>
<td>b) Provide resources and training of provincial eradication units?</td>
<td></td>
<td></td>
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<tr>
<td>e) Effective and accurate verification of eradicated fields</td>
<td>c) Develop monitoring systems for illicit crops?</td>
<td></td>
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<tr>
<td>2. Verification</td>
<td>Does the project:</td>
<td>NPLE&amp;S</td>
<td>MCN, MoI</td>
</tr>
<tr>
<td></td>
<td>a) Develop national capability to monitor and evaluate illicit crop production, including the impact of eradication?</td>
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<tr>
<td></td>
<td>b) Develop capability to monitor and evaluate the impact of eradication at provincial / district level?</td>
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<tr>
<td></td>
<td>c) Develop a centralised database to consolidate all illicit crop information?</td>
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</table>
### 7. Drug Demand Reduction and Treatment of Addicts

<table>
<thead>
<tr>
<th>Pillar Objectives</th>
<th>Pillar Investment Area / Criteria</th>
<th>NDP / NPP</th>
<th>Line Ministries</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Establish a Training of Trainers programme for social multipliers on basic drug awareness and abuse prevention</td>
<td>1. Educational programmes / curriculum development</td>
<td>H&amp;N E&amp;VT</td>
<td>MCN, MoEd, MoH</td>
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<tr>
<td>b) Expansion of drug treatment services to provinces in Afghanistan</td>
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<tr>
<td>c) Establish a regional coordination mechanism</td>
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<tr>
<td>d) Develop drug abuse prevention guidelines and protocol for all prevention activities</td>
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<tr>
<td>e) Develop a standard assessment form for drug treatment referral</td>
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<tr>
<td>f) Develop M&amp;E standard forms for all demand reduction activities</td>
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<tr>
<td>g) Establish national drug treatment guidelines and protocol for all treatment activities</td>
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<tr>
<td>h) To provide harm reduction training for the Nejat needle exchange staff to compliment their needle exchange programme</td>
<td></td>
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<tr>
<td>2. Treatment centres</td>
<td>Does the project: a) Establish treatment centres in specified locations; Kabul, provincial and district (residential treatment and drop-in centres to be built and resourced)? b) Carry out national feasibility study / needs assessment to determine requirements and locations of residential treatment and drop-in centres?</td>
<td>H&amp;N E&amp;VT</td>
<td>MCN, MoH</td>
</tr>
</tbody>
</table>

### 8. Regional Corporation

<table>
<thead>
<tr>
<th>Pillar Objectives</th>
<th>Pillar Investment Area / Criteria</th>
<th>NDP / NPP</th>
<th>Line Ministries</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) To cooperate fully with neighbouring countries within the framework of the Good Neighbourly Relations Declaration on Counter-Narcotics</td>
<td>1. Good Neighbourly Relations Declaration on Counter-Narcotics</td>
<td></td>
<td>MCN, MoI, MoFA Direct relations with respective regional / international counter-narcotics agencies</td>
</tr>
<tr>
<td></td>
<td>Does the project: a) Support regional conferences / workshops? b) Assist in the development of formalised regional agreements of cooperation? c) Support regional counter narcotics operations</td>
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<td></td>
<td>MCN, Mol, MoFA</td>
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<tr>
<td>Direct relations with respective regional / international counter-narcotics agencies</td>
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Annex II. Terms of Reference Monitoring Agent

NOTE: The final ToR for the Monitoring Agent will be worked out in discussion with UNDP and GoA followed the signing of the CNTF Programme Document.

Terms of Reference for a Monitoring Agent

Background

The CNTF was established in May 2005 at the request of the Government of Afghanistan (“GoA”) and will fund projects based on its National Drug Control Strategy. The United Nations Development Programme (UNDP), in its capacity as Administrator of the Counter Narcotics Trust Fund (CNTF or the Trust Fund), requires the provision of monitoring services of the Trust Fund. The Trust Fund will ring-fence donor assistance to provide additional funding to the Core Development Budget and projects related to all pillars of the strategy.

The UNDP Country Office for Afghanistan will administer the fund in accordance with UNDP Financial Regulations and Rules. UNDP’s role as Administrator is the coordination and management of funds including the release of allocation. The Country Office is responsible for the monitoring of expenditures, review of quarterly work plans and reports, and follow-up of recommendations of monitoring missions.

The GoA has designated the Ministry of Finance (MoF) as the executing entity for the overall CNTF programme. The funding from the Trust Fund will be channeled through the MoF to the implementing entities which will be the line ministries of the GoA. The implementing entities will prepare and oversee (and if applicable execute) projects funded through the CNTF. The CNTF will be executed through the National Execution (NEX) modality; hence the Islamic Republic of Afghanistan retains the overall responsibility for the nationally managed programme through its designated institution - the MoF - and is therefore responsible for the overall delivery of the programme, and the full involvement of the relevant departments in the programme activities.

To ensure proper monitoring of CNTF implementation in terms of financial management and funds disbursement in line with the programme’s objectives, UNDP will recruit an external independent Monitoring Agent (MA), who will monitor, control and report on disbursement claims from the line ministries. Thus, the MA is also assigned tasks that are similar to those of a Financial Controller. Although contracted by the UNDP, the MA will be working primarily at the Ministry of Finance and will liaise closely with the MCN, line ministries and the UNDP.

Assignment objectives
The overall goal of the MA team is to monitor, support and report on the accuracy, as well as efficient and effective implementation, of the financial controls of approved CNTF funded project. Specific objectives include:

- Monitor contracts and project to ensure that the expenditures follow the correct procedures.

- Appraise a project’s financial performance and ensure a project’s compliance with applicable financial disbursement standards.

- Monitor expenditures out of the MoF from the CNTF account at the Central Bank of Afghanistan per disbursement requests from the line ministries.

- Bring critical issues and recommendations for remedial actions on any project or ministry to the attention of the GoA and the UNDP on any matters observed during the execution of its duties and that affect the managerial, financial, fiduciary and fiscal execution of projects funded by the CNTF.

Scope of Services/Roles and Responsibilities

1. Maintain a working file database of all projects approved by the CNTF, in order to verify that disbursements are in line with the approved project documents.

2. Monitor all levels of financial and procurement control of project execution for compliance with UNDP Financial Regulations and Rules and the standards at MoF and the relevant line ministries:

3. Provide regular reports to UNDP and the GoA on noted deficiencies in financial and procurement matters;

4. Work closely with MoF and other agencies to ensure that the rules for eligibility of expenditure for the CNTF are widely understood;

5. Provide assistance and guidelines to the line ministries on the financial processes at MoF for CNTF financed projects:

6. Monitor the application of financial management and procurement standards of the implementing line ministries as projects are implemented by reviewing internal controls and auditing/accounting procedures:

7. Screen GoA disbursement applications and related documentation to ensure submissions for payment from the CNTF are consistent with the grant agreement and related eligibility criteria;
8. Monitor and compare the line ministries CNTF approved projects’ budgets to prevent overspending, follow up of outstanding commitments and to facilitate the timely release of fund:

9. Follow up on transactions and review operations of the CNTF special accounts at the Central Bank of Afghanistan;

10. Monitor the progress of the Ministry of Finance’s internal procedures for project funding/disbursals and suggest their continuous improvement;

11. Deliver periodic training seminars and working sessions to improve capacity of the central, provincial, and district government staff in financial management and accountability.

12. Review reports from the MoF and those ministries receiving CNTF funding, and bring critical managerial, operational, financial or fiscal issues to the early attention of UNDP and the GoA;

13. Prepare final approval of invoice payments/M16 submitted from the line ministries and verify eligibility of payments;

14. Coordinate the work flow at the MoF, including work plan development and team management;

15. Liaise with UNDP finance section, financial controllers at line ministries, MCN, MoF and other relevant financial actors for CNTF projects to assure timely execution of projects from a fiscal and financial perspective;

16. Participate in the monitoring visits to the project sites and draft mission reports and recommendations for improving the execution of the project

Reporting by the CNTF MA

The CNTF MA will report directly to the UNDP on a monthly and quarterly basis, or more frequently if so requires.

- The monthly reports should be issue-focused and provide both aggregated and detailed financial information in order to support month to month analysis. The reports should address, in detail, expenditures issues, eligible and ineligible claims, project contracts in execution and other relevant information.

- The quarterly reports should provide detailed analysis of trends and recurring challenges, identify problems in implementing the projects of the CNTF and recommend appropriate actions, and describe positive feedback and lessons learned.
- The MA should meet on a regular basis with UNDP, MCN and MoF (and stakeholders, if merited) to discuss issues, findings and other information addressed in the monthly and quarterly reports.

Qualifications

- The team should include staff with advanced university degrees in finance/economic/procurement and accounting related areas;
- The team should include access to experts or experts in financial management, payroll systems, auditing, procurement of goods, information technology, and related training;
- Team leader to have at least five to ten years of relevant work experience and excellent skills in Public Financial Management, financial controlling, accounting and/or procurement;
- Collective experience in project appraisal with reference to financial management, preferably with international exposure through Governmental institutions, NGOs, UN agencies and/or other organizations;
- Knowledge of the Afghanistan’s financial system and financial management standards;
- A team with proven management capacity, excellent IT skills and command of MS Office applications and financial software applications;
- Fluency in English, fluency in Dari and/or Pashto is an advantage;
- Proven written and oral communication skills, reporting skills and project appraisal experiences; and
- Networking and training skills.
Annex III. Terms of Reference Management Board

Background and Objective
The UNDP Terms of Reference for the CNTF outlines the broad concept of an independent Management Board to govern the Trust Fund.

The objective of the CNTF Management Board is to ensure project proposals compliance with the policies, guidelines and priorities prepared by the MCN and approved by the Cabinet Sub Committee for Counter Narcotics, the CNTF Terms of Reference and the full project document for activities eligible for funding through the CNTF.

The Management Board will meet at least monthly and additional meetings may be scheduled on an as-needed basis. UNDP will chair the Management Board meetings.

Management Board Members
The Management Board might consist of international and multilateral partners as well as UNDP and GoA.

Membership of the Management Board will be determined with the MCN and the individual partner.

Role and Responsibilities
The Management Board will govern the CNTF. The members of the Board will perform the following tasks:

- Screen, evaluate and approve proposals for funding through the CNTF.
- Ensure projects have the quality required and the proposal process has been respected for funding through CNTF.
- Endorse project proposals and officially communicate its decision to UNDP Afghanistan for further actions.
- Reject proposals if they need further clarifications, not compliant with policies etc.
- Ensure that the CNTF objectives are being fulfilled in an effective and efficient manner.
- Support and assist the promotion of the CNTF and mainstreaming of Counter Narcotics.
- Support and assist in fundraising efforts, when suitable.
- Approve the minutes of the Board meetings.

Management Board decisions shall be made by consensus.

Every designated organization of the Management Board shall appoint one representative and one alternate.
Annex IV. Terms of Reference Steering Committee

Objective
The objective of the Steering Committee is to ensure effective, efficient and transparent implementation of the UNDP Administration/Support to CNTF Programme. The Steering Committee will provide guidance on strategy for Trust Fund administration, fund mobilization, programme implementation and ensure that the roles and responsibilities of this programme vis-à-vis other Trust Funds and Programmes are clearly defined.

Composition
The Steering Committee will consist of representatives of MCN, MoF, major donors, the British Embassy as lead nation on Counter Narcotics, UNODC, and UNDP – the administrator for the Trust Fund. The participation will be at senior level with one to two representatives from each designated entity and with possible alternate. Others may be invited as observers if deemed necessary by the Steering Committee.

The Steering Committee will be co-chaired by UNDP Country Director and Minister for MCN or his/her delegate. The chairpersons will be responsible for preparing the agenda for the meetings and shall designate a secretary to the Steering Committee. The secretary shall be responsible for the preparation and distribution of minutes as well as the coordination of all meeting documentation to all participants.

Frequency of Meetings
The Steering Committee shall meet once a quarter. Additional meetings may be scheduled on an as-needed basis.

Responsibility
The responsibility of the Steering Committee may include but is not limited to:
- Provide guidance on the overall programme direction and oversee on policy and strategic matters related to Trust Fund administration
- Provide advice when substantive changes are needed in the Trust Fund administration.
- Review progress and advice on corrective measures, as needed.
- Review the financial performance of the programme.
- Agree on ToR and set up scope for the TF mid and final evaluation.
- Coordinate donors contribution to the Trust Fund
- Recommend strategies for fund raising
ANNEX V  Legal Context


General responsibilities of the Government, UNDP and the executing agency

1. All phases and aspects of UNDP assistance to this project shall be governed by and carried out in accordance with the relevant and applicable resolutions and decisions of the competent United Nations organs and in accordance with UNDP's policies and procedures for such projects, and subject to the requirements of the UNDP Monitoring, Evaluation and Reporting System.

2. The Government shall remain responsible for this UNDP-assisted development project and the realization of its objectives as described in this Project Document.

3. Assistance under this Project Document being provided for the benefit of the Government and the people of (the particular country or territory), the Government shall bear all risks of operations in respect of this project.

4. The Government shall provide to the project the national counterpart personnel, training facilities, land, buildings, equipment and other required services and facilities. It shall designate the Government Co-operating Agency named in the cover page of this document (hereinafter referred to as the "Co-operating Agency"), which shall be directly responsible for the implementation of the Government contribution to the project.

5. The UNDP undertakes to complement and supplement the Government participation and will provide through the Executing Agency the required expert services, training, equipment and other services within the funds available to the project.

6. Upon commencement of the project the Executing Agency shall assume primary responsibility for project execution and shall have the status of an independent contractor for this purpose. However, that primary responsibility shall be exercised in consultation with UNDP and in agreement with the Co-operating Agency. Arrangements to this effect shall be stipulated in the Project Document as well as for the transfer of this responsibility to the Government or to an entity designated by the Government during the execution of the project.

7. Part of the Government's participation may take the form of cash contribution to UNDP. In such cases, the Executing Agency will provide the related services and facilities and will account annually to the UNDP and to the Government for the expenditure incurred.

(a) Participation of the Government
1. The Government shall provide to the project the services, equipment and facilities in the quantities and at the time specified in the Project Document. Budgetary provision, either in kind or in cash, for the Government's participation so specified shall be set forth in the Project Budgets.

2. The Co-operating Agency shall, as appropriate and in consultation with the Executing Agency, assign a director for the project on a full-time basis. He shall carry out such responsibilities in the project as are assigned to him by the Co-operating Agency.

3. The estimated cost of items included in the Government contribution, as detailed in the Project Budget, shall be based on the best information available at the time of drafting the project proposal. It is understood that price fluctuations during the period of execution of the project may necessitate an adjustment of said contribution in monetary terms; the latter shall at all times be determined by the value of the services, equipment and facilities required for the proper execution of the project.

4. Within the given number of person-months of personnel services described in the Project Document, minor adjustments of individual assignments of project personnel provided by the Government may be made by the Government in consultation with the Executing Agency, if this is found to be in the best interest of the project. UNDP shall be so informed in all instances where such minor adjustments involve financial implications.

5. The Government shall continue to pay the local salaries and appropriate allowances of national counterpart personnel during the period of their absence from the project while on UNDP fellowships.

6. The Government shall defray any customs duties and other charges related to the clearance of project equipment, its transportation, handling, storage and related expenses within the country. It shall be responsible for its installation and maintenance, insurance, and replacement, if necessary, after delivery to the project site.

7. The Government shall make available to the project - subject to existing security provisions - any published and unpublished reports, maps, records and other data, which are considered necessary to the implementation of the project.

8. Patent rights, copyright rights and other similar rights to any discoveries or work resulting from UNDP assistance in respect of this project shall belong to the UNDP. Unless otherwise agreed by the Parties in each case, however, the Government shall have the right to use any such discoveries or work within the country free of royalty and any charge of similar nature.
9. The Government shall assist all project personnel in finding suitable housing accommodation at reasonable rents.

10. The services and facilities specified in the Project Document which are to be provided to the project by the Government by means of a contribution in cash shall be set forth in the Project Budget. Payment of this amount shall be made to the UNDP in accordance with the Schedule of Payments by the Government.

11. Payment of the above-mentioned contribution to the UNDP on or before the dates specified in the Schedule of Payments by the Government is a prerequisite to commencement or continuation of project operations.

(b) Participation of the UNDP and the executing agency

1. The UNDP shall provide to the project through the Executing Agency the services, equipment and facilities described in the Project Document. Budgetary provision for the UNDP contribution as specified shall be set forth in the Project Budget.

2. The Executing Agency shall consult with the Government and UNDP on the candidature of the Project Manager2 who, under the direction of the Executing Agency, will be responsible in the country for the Executing Agency's participation in the project. The Project Manager shall supervise the experts and other agency personnel assigned to the project, and the on-the-job training of national counterpart personnel. He shall be responsible for the management and efficient utilization of all UNDP-financed inputs, including equipment provided to the project.

3. The Executing Agency, in consultation with the Government and UNDP, shall assign international staff and other personnel to the project as specified in the Project Document, select candidates for fellowships and determine standards for the training of national counterpart personnel.

4. Fellowships shall be administered in accordance with the fellowships regulations of the Executing Agency.

5. The Executing Agency may, in agreement with the Government and UNDP, execute part or all of the project by subcontract. The selection of subcontractors shall be made, after consultation with the Government and UNDP, in accordance with the Executing Agency's procedures.

6. All material, equipment and supplies which are purchased from UNDP resources will be used exclusively for the execution of the project, and will remain the property of the UNDP in whose name it will be held by the Executing Agency.

2 May also be designated Project Co-ordinator or Chief Technical Adviser, as appropriate.
Equipment supplied by the UNDP shall be marked with the insignia of the UNDP and of the Executing Agency.

7. Arrangements may be made, if necessary, for a temporary transfer of custody of equipment to local authorities during the life of the project, without prejudice to the final transfer.

8. Prior to completion of UNDP assistance to the project, the Government, the UNDP and the Executing Agency shall consult as to the disposition of all project equipment provided by the UNDP. Title to such equipment shall normally be transferred to the Government, or to an entity nominated by the Government, when it is required for continued operation of the project or for activities following directly there from. The UNDP may, however, at its discretion, retain title to part or all of such equipment.

9. At an agreed time after the completion of UNDP assistance to the project, the Government and the UNDP, and if necessary the Executing Agency, shall review the activities continuing from or consequent upon the project with a view to evaluating its results.

10. UNDP may release information relating to any investment oriented project to potential investors, unless and until the Government has requested the UNDP in writing to restrict the release of information relating to such project.

Rights, Facilities, Privileges and Immunities

1. In accordance with the Agreement concluded by the United Nations (UNDP) and the Government concerning the provision of assistance by UNDP, the personnel of UNDP and other United Nations organizations associated with the project shall be accorded rights, facilities, privileges and immunities specified in said Agreement.

2. The Government shall grant UN volunteers, if such services are requested by the Government, the same rights, facilities, privileges and immunities as are granted to the personnel of UNDP.

3. The Executing Agency's contractors and their personnel (except nationals of the host country employed locally) shall:

   (a) Be immune from legal process in respect of all acts performed by them in their official capacity in the execution of the project;

   (b) Be immune from national service obligations;

   (c) Be immune together with their spouses and relatives dependent on them from immigration restrictions;
(d) Be accorded the privileges of bringing into the country reasonable amounts of foreign currency for the purposes of the project or for personal use of such personnel, and of withdrawing any such amounts brought into the country, or in accordance with the relevant foreign exchange regulations, such amounts as may be earned therein by such personnel in the execution of the project;

(e) Be accorded together with their spouses and relatives dependent on them the same repatriation facilities in the event of international crisis as diplomatic envoys.

4. All personnel of the Executing Agency's contractors shall enjoy inviolability for all papers and documents relating to the project.

5. The Government shall either exempt from or bear the cost of any taxes, duties, fees or levies which it may impose on any firm or organization which may be retained by the Executing Agency and on the personnel of any such firm or organization, except for nationals of the host country employed locally, in respect of:

(a) The salaries or wages earned by such personnel in the execution of the project;

(b) Any equipment, materials and supplies brought into the country for the purposes of the project or which, after having been brought into the country, may be subsequently withdrawn there from;

(c) Any substantial quantities of equipment, materials and supplies obtained locally for the execution of the project, such as, for example, petrol and spare parts for the operation and maintenance of equipment mentioned under (b), above, with the provision that the types and approximate quantities to be exempted and relevant procedures to be followed shall be agreed upon with the Government and, as appropriate, recorded in the Project Document; and

(d) As in the case of concessions currently granted to UNDP and Executing Agency's personnel, any property brought, including one privately owned automobile per employee, by the firm or organization or its personnel for their personal use or consumption or which after having been brought into the country, may subsequently be withdrawn there from upon departure of such personnel.

6. The Government shall ensure:

(a) prompt clearance of experts and other persons performing services in respect of this project; and

(b) the prompt release from customs of:

   (i) equipment, materials and supplies required in connection with this project; and
(ii) property belonging to and intended for the personal use or consumption of the personnel of the UNDP, its Executing Agencies, or other persons performing services on their behalf in respect of this project, except for locally recruited personnel.

7. The privileges and immunities referred to in the paragraphs above, to which such firm or organization and its personnel may be entitled, may be waived by the Executing Agency where, in its opinion or in the opinion of the UNDP, the immunity would impede the course of justice and can be waived without prejudice to the successful completion of the project or to the interest of the UNDP or the Executing Agency.

8. The Executing Agency shall provide the Government through the resident representative with the list of personnel to whom the privileges and immunities enumerated above shall apply.

9. Nothing in this Project Document or Annex shall be construed to limit the rights, facilities, privileges or immunities conferred in any other instrument upon any person, natural or juridical, referred to hereunder.

Suspension or termination of assistance

1. The UNDP may by written notice to the Government and to the Executing Agency concerned suspend its assistance to any project if in the judgment of the UNDP any circumstance arises which interferes with or threatens to interfere with the successful completion of the project or the accomplishment of its purposes. The UNDP may, in the same or a subsequent written notice, indicate the conditions under which it is prepared to resume its assistance to the project. Any such suspension shall continue until such time as such conditions are accepted by the Government and as the UNDP shall give written notice to the Government and the Executing Agency that it is prepared to resume its assistance.

2. If any situation referred to in paragraph 1, above, shall continue for a period of fourteen days after notice thereof and of suspension shall have been given by the UNDP to the Government and the Executing Agency, then at any time thereafter during the continuance thereof, the UNDP may by written notice to the Government and the Executing Agency terminate the project.

3. The provisions of this paragraph shall be without prejudice to any other rights or remedies the UNDP may have in the circumstances, whether under general principles of law or otherwise.
Dear Minister Abady,

I am pleased to inform you that, following the Government of Afghanistan's request that the UNDP establish a Counter Narcotics Trust Fund, we have now undertaken all the necessary steps to make that request a reality. The only remaining matter is the agreement of the Ministry of Finance to the project document which sets out the programme and procedures for disbursement of funds from the Trust. On 29 September, a Technical Working Group meeting took place to discuss issues that in our view need be resolved right away. Please consider this letter the formal response of UNDP to the issues raised at that Technical Working Group.

First, the UNDP is not able to modify the 3% General Management Services fee to be charged for managing the Counter Narcotics Trust Fund ("CNTF"). As we have repeatedly indicated to colleagues at the Ministry of Finance and at the Ministry of Counter Narcotics, UNDP normally charges between five and seven percent (5-7%) for the management of a trust fund. In this case, given the special concerns advanced by the UNDP Country Office to our Headquarters, we were able to secure a waiver of these norms and agreed to charge only three percent (3%) for General Management Services for the CNTF, as communicated in my letter to you of 29 March 2003. After due consultation with Headquarters, we can advise you that this matter is not subject to modification or to a decreasing scale mechanism as proposed by your staff.

Second, your staff has proposed that a six month “interim agreement” be reached for the creation of the CNTF. The UNDP cannot undertake to manage the Counter Narcotics Trust Fund if there are issues outstanding and there is an expectation that the trust fund will cease to exist absent resolution of certain matters within six months.

The Project Document under negotiation by your staff was sent to you in the first week of August. That document is designed to be as flexible as possible, given the information available at the time, and to enable all the parties involved to fulfill the objectives of the CNTF. We are ready to resolve all pending items so long as they are not in conflict with UNDP’s Financial Rules and Regulations or its practices in the management of trust funds. I hope that the clarification of these issues will facilitate the conclusion and signature of the project document, and look forward to the successful implementation of the CNTF.

Yours sincerely,

Frederick Lyons
Country Director

H.E. Dr. Anwar-ul-Haq Abady
Minister of Finance
Kabul

cc H.E Habibullah Qaderi
Minister for Counter-Narcotics
Kabul
Annex VI
Exchange of Letters with UNDP

Islamic Republic of Afghanistan

2 October 2005

Mr Frederick Lyons
Country Director
UNDP Afghanistan

Dear Mr Lyons,

Subject: Counter Narcotics Trust fund (CNTF) Programme Document and Terms of Reference (TOR)

I am writing to express my gratitude for the work of your team in bringing the concept of the Counter-Narcotics Trust Fund (CNTF) to reality. We envisage the Government of Afghanistan (GoA) will be in a position to sign the Programme Document that will formally establish the CNTF, subject to your response to this letter.

The CNTF is being established with the support of a number of key donors to implement a Government-led and co-ordinated national strategy aimed at elimination of poppy cultivation in Afghanistan. It is intended to draw together current expenditures outside the National budget framework and consolidate a programmed stream of projects aligned with the National CN Strategy through GoA institutional mechanisms. Institutionalisation is essential if the government is to control and be responsible for executing and implementing the CN Strategy.

Institutional control and responsibility implies a number of key elements:

- **Financial controls** through government processes and systems in accordance with the Public Finance and Expenditure Management Law;
- **Procurement** through the government institutions and in accordance with the Procurement Law recently adopted by government;
- Purpose of expenditures from the CNTF authorised through the National budget;
- **Government responsibility** in the CNTF review and approval structures;
- Accountability for project implementation; and
- Accountability for ownership and appropriate management of assets purchased through CNTF funding.

While the broad principles of national execution are set out in the documentation establishing the operation of the fund, there are important points that conflict and contradict the desired intent. While the GoA does recognise the careful balance that must be achieved in institutionalisation and managing the risks of operation of the CNTF we consider the correct balance has not been achieved to date.
It is understood that the spirit and intention of the National Execution Modality (NEX) is to enhance government ownership and accountability of UNDP supported programmes and projects. However, some of the details may not fit the context. Fundamentally the funds that will be deposited into and disbursed from the CNTF will not be UNDP funds or resources. They are grants from donor countries and organisations, given for the benefit and use of the people and Government of Afghanistan.

In attempting to achieve the balance between UNDP procedures and GoA policy of achieving a minimal ownership of programming and monitoring results, the key remaining issues are:

- **Ownership of assets** – the current proposal would provide the GoA responsibility for most aspects of asset management but not the associated property rights. This undermines the public perception of direct support by the GoA to its people unless identified as GoA assets. Further, the NEX requires UNDP to insure all assets, which we understand will not be done. Within the constraints of the NEX procedures it may be possible to arrange a compromise that would satisfy both parties, but it is understood that this effort could cause delay.

- **Termination** – the current provisions only set out rights and responsibilities of UNDP. While termination is not desired or expected to be an issue in the near future, balanced rights and responsibilities are an expectation of any agreement between equal parties.

- **Monitoring agent role and costs** – it is unclear how the arrangements proposed by UNDP will deliver any real assurance that appropriate procurement and financial administration processes are being conducted. The CNTF is intended to be applied nationally, which requires much of the procurement to take place in the provinces.

- **Trust fund costs** – the GoA should be responsible for overall expenditure from the trust funds. Expenditure above the 3% general service fee must be requested by the Ministry of Finance and endorsed by the Management Board.

- **Review of 3% general service fee** – agreement to a 3% fee was based on a review of fee structures if the total value of CNTF funds were to increase significantly. The GoA has sought to have a tiered fee structure that reflects the true levels of UNDP CNTF operational costs.

- **Economic distortions - waiver of exempt status of UNDP with respect to customs duties if UNDP conducts procurement on behalf of the Government** to avoid market distortion that undermines efforts to build the Afghan private sector.

Notwithstanding the above remaining issues, the government of Afghanistan is willing to accept the arrangements presently proposed by UNDP. This recognises the national importance of immediate action to activate the CNTF. Neither Afghanistan nor donors to the CNTF can afford time lost to protracted discussions over these issues. However, prior to signing we seek your agreement to negotiate in good faith.
the issues raised above and seek an operational arrangement that reflects the balanced intent of embedded national execution and donor expectations. We expect these discussions would commence immediately, with the view to revised arrangements implemented within twelve months. The government therefore would propose including either in the contract or a side agreement that it may decide to cease UNDP administration of the fund should these discussions fail to reach an acceptable outcome.

I seek your urgent response to these matters to enable action to be taken rapidly to activate the operation of the CNTF to deliver results. In particular, I envisage that immediate steps are needed to establish the CNTF Steering Committee and Management Board, without which the CNTF will not be able to function. In this respect we nominate Deputy Minister Shahrani (Ministry of Finance) and Deputy Minister Khogani (Ministry of Counter Narcotics), who would be the government representatives with full voting rights.

Once again we would like to thank UNDP for all its hard work and cooperation in bringing the CNTF to fruition and we look forward to working with you as the CNTF begins operations. We would however appreciate your quick response to this letter, and your commitment to negotiate the issues raised.

As soon as we receive your response, we will sign the Programme document and thus pave the way for what we hope to be the highly successful implementation and operation of the Counter Narcotics Trust Fund.

Yours sincerely

HE Mr. Anwar-ul-Haq Ahady
Minister of Finance

HE Eng. Habibullah Qaderi
Minister of Counter Narcotics
Dear Minister Qaderi,

Subject: Counter Narcotics Trust Fund (CNTF) Programme Document.

Thank you for hosting a meeting in your office last Sunday to discuss your and the Minister of Finance’s letter of 2 October regarding the Counter Narcotics Trust Fund (CNTF) Programme Document.

In that letter, you restated important principles relating to financial control, procurement, expenditure, review and approval structures, accountability for project implementation and asset ownership and management by the Government of Afghanistan. During the course of our meeting on 9 October we confirmed that UNDP’s intention in administering the CNTF was to support fully and effectively the initiatives of the Islamic Republic of Afghanistan to curb and eventually eradicate illicit crop cultivation, its processing and trafficking from, to and within Afghanistan. In that spirit, the Programme Document was designed to be implemented through the National Execution (NEX) modality, which will allow greater flexibility and ensure ownership and control by the host government. Let me therefore express once again our full concurrence with all the principles referred to in your letter, as they are in line with the UNDP NEX modalities planned for the CNTF.

You also raised some concerns in your letter, which I would like to address in the order they were raised:

- ownership and management of assets: I confirm that the Government of Afghanistan maintains full ownership and property rights of the assets procured through the CNTF for project support and is responsible for their management. Where assets are procured by UNDP for implementing institutions, they can be transferred to that institution upon delivery.

- termination: the Terms of Reference for the establishment of CNTF envisage a consultative process among the Government of Afghanistan, donors and UNDP. These supersede the statement indicated in the Standard Legal Text attached to the Programme Document. The Legal Text is a standard attachment to all UNDP project documents worldwide: the Terms of Reference provide the necessary modifications for the context of the CNTF.
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Exchange of Letters with UNDP

United Nations Development Programme
Country Office for Afghanistan

- monitoring agent role and cost: the Programme Document envisages a role and responsibility for the monitoring agent broadly similar to that of the ARTF Monitoring Agent, adapted to the CNTF’s needs. Deputy Minister Shahrani informed us during our meeting that the monitoring agent of the ARTF is funded from the World Bank’s administration fee. However, following consultation with the World Bank yesterday I have to inform you that these costs are carried under a special Trust Fund arrangement within the ARTF. They are charged at actual cost, as for a project. The monitoring agent for the CNTF will be financed through a similar arrangement, with the CNTF bearing the cost.

- Trust Fund costs: I confirm that the Government of Afghanistan is responsible for overall Trust Fund expenditures. In accordance with NEX rules and regulations, all payments should be authorized by the National Programme Director appointed by the Government of Afghanistan. UNDP will advance funds to the Treasury Department of the Ministry of Finance, which will disburse these to individual projects.

- review of UNDP 3% General Management Service fee: as I indicated in my letter of 2 October, UNDP is not able to modify the 3% GMS fee. Following my consultation with Headquarters, I wish to advise you that our position on this issue remains unchanged.

- economic distortion: as discussed at our meeting of 9 October, UNDP will not be involved in procurement for the private sector. Most of the procurement for CNTF supported projects would be carried out by the government institutions. The government’s procurement law will obtain, and standard taxation arrangements will apply for these private sector purchases.

At our meeting on 9 October, the issue of the Management Board’s membership was raised and participants were informed of the wish of the Afghan Government to join the Management Board as a member. In principle UNDP supports this proposal. The Programme Document stipulates the framework for determining the composition of the Board. The detailed membership can be determined outside the Programme Document through a process of consultation among the Government of Afghanistan, potential donors and UNDP.

Once again, let me thank you for last Sunday’s very constructive meeting. I look forward to the successful implementation of the CNTF programme in Afghanistan.

Yours sincerely,

[Signature]
Frederick Lyons
Country Director

H.E Habibullah Qaderi
Minister for Counter Narcotics
16 October 2005

Mr. Frederick Lyons  
Country Director  
UNDP Afghanistan

Dear Mr. Lyons,

Subject: Counter Narcotics Trust fund (CNTF) Programme Document

This letter is in response to your letter of 12 October regarding the CNTF programme Document. Your concurrence to the matters raised by the Government of Afghanistan in the letter of 2 October and our discussion on 9 October establishes an agreed basis for signing of the Programme Document.

To move ahead with signing it is proposed that the Programme Document include a provision that refers to our recent sequence of correspondence as an attachment. This will clearly reflect our agreed position on specific principles of National Execution. This will also be important to set out the agreement regarding ownership and management of assets, which might otherwise be construed as conflicting with the CNTF Terms of Reference.

To implement the agreements reflected in the exchange of letters dated October 2 and October 12, 2005 between the parties we recommend that the following text replace Part V, titled “Legal Context” [p.13 of 40 of the current draft] of the Programme Document titled “Support to the Counter Narcotics Trust Fund (CNTF) Programme:

“V. Legal Context


2. The two letters dated October 2 and October 12, 2005 exchanged between the parties and attached hereto are Attachment VI are incorporated as an integral part of the terms agreed by the parties, and shall be given effect over any inconsistent provision of this agreement.”

We accept the approach suggested for resolving membership of the Management Board and appreciate your support in this regard. We also appreciate that the 3% General Management Service fee cannot be reviewed at this time.

Given the importance of signing the Programme Document without delay, I propose that we arrange a mutually agreeable time this week to sign the programme.
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Exchange of Letters with UNDP

Document. Again, we would like to express our gratitude for your support in finalising these arrangements and the successful delivery of the critical instrument for addressing illicit narcotics in Afghanistan.

Yours sincerely

Mr. Anwar-ul-Haq Ahady
Minister of Finance

Eng. Habibullah Qaderi
Minister of Counter Narcotics

CC
H.E. Wahidullah Shahrani, Deputy Minister of Finance
H.E. Dr. Rosalind Marsden, Ambassador of the United Kingdom
Mr. Raul Gasteazoro, CNTF Manager, UNDP