



Money Talks: Mapping EU's Financial Engagement to Afghanistan Pre- and Post-Taliban Takeover

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Introduction

Afghanistan has been a crucial partner for the European Union (EU) in its initiatives to advance stability, democracy, and development. EU's engagement to Afghanistan has largely focused on the provision of substantial financial and development cooperation which were guided by the Multiannual Indicative programmes and currently by Special Measures. Since the fall of the first Taliban regime in 2001 and until August 2021 EU has provided over €4 billion in development assistance to Afghanistan making it the largest beneficiary of EU development aid in the world.¹

The European Union has two streams of funding for Afghanistan which comprises of development cooperation aid and humanitarian assistance. Development aid is managed by largely by Directorate-General International Partnership (DG INTPA) and the European External Action Service (EEAS) while the humanitarian assistance fund is managed by Directorate-General Civil Protection and Humanitarian Aid Operations (DG ECHO). In regards of its aid delivery, the EU has made long-term commitment under its development cooperation assistance to Afghanistan which prioritizes supporting the country's efforts to building a peaceful, democratic, and prosperous society, and to address the root causes of conflict and instability.

The EU had and still has a variety of development cooperation and humanitarian aid instruments in place to support Afghanistan. The recent political developments in Afghanistan particularly the Taliban takeover of the government in August 2021 have changed EU's approach in the provision of development assistance to the country and whether EU's approach and engagement with the country has diminished following the takeover. Since the Taliban regime took over, all development assistance to Afghanistan was discontinued given that development cooperation is traditionally channeled through government. However, EU maintains its commitment to provide humanitarian and basic needs and livelihoods support adhering to humanitarian assistance which were channeled through international organizations and NGOs. On the other hand, with the withdrawals of foreign forces and the international community's uniformed ambivalent engagement to the country, the question of whether big powers in the region such as Russia and China would step up also remains.

¹ European Commission. (2021). Afghanistan. Retrieved from https://international-partnerships.ec.europa.eu/countries/afghanistan_en

This background brief provides an overview of EU's past and current financial engagement to Afghanistan in relation to the Taliban takeover in August 2021. Comprising of four chapters, the paper initially explores EU's development cooperation instruments and allocated budget to Afghanistan prior to Taliban takeover. The next chapter provides information on the changes in terms of financial assistance for development cooperation that followed after the Taliban's return. The third chapter scrutinizes EU's other channel of funding which primarily focuses on humanitarian assistance. It provides extensive information on EU's humanitarian assistance from the year 2014 to 2023. Finally, the last chapter briefly looks at the engagement of other powers like China and Russia in the Taliban-led Afghanistan, in order to assess the difference in terms of strategic involvement in the region.

CHAPTER I – EU Development Cooperation to Afghanistan Pre-Taliban Takeover

For the Multiannual Financial Framework (MFF) 2014-2020, the EU had six different foreign policy instruments created by the Commission included the Development Cooperation Instrument (DCI), the European Neighborhood Instrument (ENI), the Instrument Contributing to Stability and Peace (IcSP), the European Instrument for Democracy and Human Rights (EIDHR), the Partnership Instrument (PI), and the Instrument for Pre-accession Assistance (IPA II). For Afghanistan, the development cooperation instruments for the MFF 2014-2020 were DCI, the IcSP and the EIDHR. This chapter explores the development cooperation funding of the EU to Afghanistan prior to the Taliban takeover in August 2021.

Development Cooperation Instrument (DCI)

The Development Cooperation Instrument (DCI) was one of EU's six foreign policy instruments for development cooperation policy by the Commission which financially was the largest instrument within EU budget in the provision of EU's external development assistance. As the financial instrument of EU's external action, DCI funded EU's development aid programs in various forms including development cooperation, conflict prevention and peacebuilding. The bilateral fund allocation of the DCI was determined by the Multi-Annual Indicative Programme (MIP) that serves as a strategic planning document outlining EU's priorities and objectives for development cooperation in a particular partner country or region for a specified period. The strategy of fund allocation under the MIP was jointly drafted by the European Commission Directorate-General International Partnership (DG INTPA) and the European External Action Service (EEAS).

For the period of 2014-2020, the bilateral budget allocated under DCI was €19.6 billion. Approximately over 7% of the DCI budget was allocated for EU's development cooperation to Afghanistan which amounted to **€1.4 billion (±€200 million per year)**. The EU allocated approximately 20% of the budget (€300 million) to incentivize Afghan government to fulfil its commitment set out under the Tokyo Framework. The Framework set out an approach based on mutual commitments between government of Afghanistan and the international community to help the country achieve its development and government goals with the support of the development assistance fund. In return, the Afghan government was expected to commit to various economic and governance reforms.

The allocated budget under DCI is managed by both by the EU Delegation in Kabul, reporting to the Commission Directorate General for Development and Cooperation (DG DEVCO) – since 2021, DG INTPA.



Under the MIP 2014-2020, this fund was distributed based on focal sectors including agriculture and rural development, health, policing and rule of law, and democratisation and accountability . Table 1 below presents the percentage and total DCI budget allocation by the MIP 2014-2020 based on focal sectors in Afghanistan ².

Table 1 below presents the percentage and total DCI budget allocation by the MIP 2014-2020 based on focal sectors in Afghanistan .

FOCAL SECTORS (*)	appr. %.	MEUR
1. Agriculture and Rural Development (DAC 311, 43040}	30.5	337
2. Health (DAC 120}	25	274
3. Policing and Rule of Law (DAC 152)	29	319
4. Democratisation and Accountability (DAC 151}	15	163
Support measures (identification, formulation, macroeconomic and political risk assessments, PFM assessments, policy dialogue, visibility, statistics, other occasional studies related to the focal sectors)	0.5	7
<i>Sub-total</i>	100	1100
Incentive based mechanism (e.g. TMAF related}		300
TOTAL		1400

² European Commission DG Development and Cooperation; European External Action Service. (2014). Multi-Annual Indicative Programme 2014-2020. EU Development Cooperation Instrument. European Union. Retrieved from https://www.eeas.europa.eu/sites/default/files/multi-annual-indicative-programme-2014-2020_en_0.pdf

Table 2 below presents indicative timetable for commitment of funds. It shows the budget allocation based on focal sectors for each year.

Sectors:	Indicative Allocation	2014	2015	2016	2017	2018	2019	2020	Total
1) Agriculture & Rural Development	337	102.5		80		70		84.5	337
2) Health	274	37	43		100		94		274.0
3) Policing and Rule of Law	319		91	30		60	60	78	319.0
4) Democratisation & Accountability	163	40		20	30		45	28	163.0
5) Incentive based	300	23	67	70	70	70	0	0	300.0
Support measures	7	1	1	1	1	1	1	1	7
Total Commitments	1400	203.5	202	201	201	201	200	191.5	1400

The provision of development assistance under DCI was followed by specific conditionalities which highlighted the responsibilities of Afghan authorities to enact political and economic reforms. These are set out under the Tokyo Mutual Accountability Framework (TMAF)³:

1. **Representational democracy and Equitable Elections**
 The conduct of credible, inclusive and transparent Presidential and Parliamentary elections in accordance to Afghan constitution with eligible citizens free participation.
 Concrete expectations:
 - Comprehensive election timeline;
 - Robust electoral architecture is developed in secure, participatory, and transparent manner to enable successful and timely elections.
2. **Governance, Rule of Law, and Human Rights**
 The improvement of justice to all especially women by the expeditious enforcement of the Constitution and fundamental laws; ensuring women's economic, social and civil, political rights; the fight against corruption; and the improvement of state institutions' capacity
 Concrete expectations:
 - Allowing independent human rights commission in Afghanistan as well as civil society organizations to perform their appropriate functions;
 - Establishment and enforcement of legal framework as well as services to protect women on an annual basis;
 - Enactment and enforcement legal framework against corruption.
3. **Integrity of Public Finance and Commercial Banking**
 Improved integrity of public financial management and the commercial banking sector.
 Concrete expectations:

³ Tokyo Mutual Accountability Framework. (2012). Retrieved from <https://www.dfat.gov.au/sites/default/files/tokyo-declaration-and-mutual-accountability-framework.pdf>

- The timely implementation of IMF-backed government program, the strengthening of banking supervision and the enforcement of asset recovery and accountability for the responsible stakeholders for the Kabul bank crisis;
 - The implementation of Public Financial Management Action Plan and the improvement of the management of public funds in accordance to PEFA (Public Expenditure and Financial Accountability) by 20% and raise the transparency of public funds measured by OBI (Open Budget Initiative) to over 40%;
 - The implementation of recommendations from the Financial Action task Force Asia Pacific Group on anti-money laundering and combatting terrorist financing.
4. Government revenues, budget execution, and sub-national governance
Improvement of Afghan Government's revenue collection and capacity of line Ministries to develop and execute budgets accountable to, and incorporating, local needs and preferences.
Concrete expectations:
- Through more efficient, transparent, and accountable tax systems, raise the ratio of revenue collection to GDP from 11% to 15% by 2016, and 19% by 2025;
 - Improvement of budget execution to 75% by 2017;
 - Enactment of legal framework to clarify roles and responsibilities of government agencies at different levels in line with the 2010 Sub-National Governance Policy;
 - Development of provincial budgeting process that includes provincial input into the relevant Ministries formulation of budget requests, linked to a provincial planning process.
5. Inclusive and sustained growth and development
Achieve inclusive and sustainable growth with focus on human development, food security, private investment, and decent work and employment opportunities as well as the improvement of ranking in HDI.
Concrete expectations:
- Adequate resource allocations to achieve Afghanistan millennium Development Goal (MDG) targeting health, gender, education, environment, and food security;
 - Enabling environment for private sectors based on World Bank Doing Business Index;
 - Support for regional economic activities by leveraging investments in the agriculture sector and resource corridors as primary drivers of growth, establish Road, Rail and Civil Aviation Institutions;
 - Achieve WTO accession by the end of 2014.

Instrument Contributing to Stability and Peace (IcSP)

The IcSP was one of EU's key external assistance instruments which focuses on EU projects supporting security initiatives and peace-building activities worldwide. In accordance with the MFF 2014-2020, a budget total of €2.3 billion (2% of EU budget) was allocated to the IcSP. In 2016, an additional budget of €100 million was endowed (European Parliamentary Research Service, 2019). Afghanistan was allocated a total budget of **±€27 million (±€3.8 million per year)** under the IcSP for the period of 2014-2020.⁴

There are three components of IcSP actions and programmes of which the total budget are distributed to: 1) Assistance in response to situations of crisis or emerging crisis to prevent conflicts (Article 3); 2) Assistance for conflict prevention, peace-building, and crises preparedness (Article 4); and 3) assistance in addressing global and trans-regional threats and emerging threats (Article 5). Article 3 share the large percentage of the total IcSP funds which is up to 70%, meanwhile Article 4 and 5 are allocated up to 9% and 21% respectively of the total IcSP funds. The Service for Foreign Policy Instruments (FPI) managed the actions and programmes under Article 3 and 4, while DG DEVCO (INTPA) managed activities under Article 5 (European Commission, 2017).

European Instrument for Democracy and Human Rights (EIDHR)

Unlike the IcSP which primarily focused for quick response with short and long-term actions, the EIDHR have independent and flexible actions. The EIDHR supports projects in the area of human rights and fundamental freedoms, strengthening rule of law, and democratization in non-EU countries. For the MFF 2014-2020, the EU budget allocated a total of ±€1.3 billion under EIDHR. For Afghanistan, the total budget allocated under EIDHR amounted to **€7.5 million (±€1.07 million per year)**.⁵

In Afghanistan, EIDHR programs focused on supporting transitional justice, political participation of citizen especially the inclusion of women and youth in public and political sphere, the support of the role of independent media.

⁴ Information retrieved from Commission's unpublished internal data (22 May 2023)

⁵ *Ibid*

CHAPTER II – EU-Afghanistan Development Cooperation Post-Taliban Takeover

A few months prior to the Taliban takeover of Afghanistan in August 2021, the EU has reiterated its pledge of support to Afghanistan. The EU has shown this by including Afghanistan in its long-term financial planning for external actions. For instance, in the 2020 Afghanistan Conference in Geneva, the EU pledged to support Afghanistan in long-term and emergency assistance amounting to €1.2 billion over the period 2021-2025 in a then fundamentally different situation (European Commission, 2020). Moreover, in the draft of the Multiannual Financial Framework (MFF) 2021-2027, the preliminary work under the new development instrument of NDICI “Global Europe” included indicative country allocation of around €1 billion to Afghanistan. However, as the new development evolved, the EU had to adjust its engagement to Afghanistan whereby Afghanistan remain as an eligible country for receiving NDICI support however through a different channel of fund allocation. The fund allocation for Afghanistan is not guided by MIP and adapted through Special Measures (Council of the European Union, 2021).

Following the takeover by the Taliban, despite having to adjust its long-term planned development cooperation and policy, the EU has expressed its commitment to continue supporting the Afghan people. EU foreign ministers have agreed in their meeting in September 2021 conditions for future cooperation in Afghanistan. While agreeing to engage with the Taliban, the degree of the engagement is dependent on the behavior of the new de facto Afghan authorities, **these conditions for future cooperation are measured according to five benchmarks**, namely:

1. The commitment of the Afghan government that Afghanistan would not serve as basis for the export of terrorism to other countries;
2. Respect for human rights, in particular women's rights, the rule of law and freedom of the media;
3. The establishment of an inclusive and representative transitional government through negotiations among political forces in Afghanistan;
4. Free access for and delivery and distribution of humanitarian aid; and
5. The fulfillment of the Taliban's commitment to let foreign nationals and Afghans leave the country.

While these principles until this day remain valid as the guiding principles of EU's strategic engagement to Afghanistan post-Taliban takeover, **EU's development cooperation with Afghanistan has been suspended** in the absence of constitutionally elected government. However, EU maintains its commitment to provide assistance to Afghan people through special measures under the NDICI Global Europe. According to

Commission (2018) proposal on the establishment of NDICI, in the event of unforeseen needs or circumstances, and when funding is not possible from more appropriate sources, the EU under NDICI Global Europe may adopt special measures to support exceptional assistance which are not based on the MIP of specific target countries. **Following the Taliban takeover in 2021, Afghanistan falls into such category eligible for special measures.** The special measure follows annual financing decision which constitutes annual work programme. EU Development Ministers and Foreign Affairs agreed to exclusively assist the population directly through support of essential services and avoiding government channels.

According to unpublished Commission internal data, the total funding allocated in favor of the Afghan population in 2021 and 2022 totals to **±€500 million** which includes both recycled funds from DCI and NDICI Special Measures⁶. The following explores in detail the annual (2021-2022) programmes under Special Measures for Afghanistan⁷ which were initiated following the Taliban takeover.



⁶ *Ibid*

⁷ Documents are retrieved from DG INTPA Website for Afghanistan https://international-partnerships.ec.europa.eu/countries/afghanistan_en#:~:text=The%202020%20Afghanistan%20conference%20sent,under%20the%20MFF%202021%2D2027.

Afghanistan Essential Services and Livelihoods Stabilisation Programme (2021)

According to Action Document for Afghanistan Essential Services and Livelihoods Stabilization Programme published by the European Commission, for the year 2021, EU's development cooperation fund under special measure in favour of Afghanistan was set at €53M from October 2021. According to Commission's unpublished internal data, this fund is further complemented by €97M from recycled DCI funds with the same objectives but does not include grants as implementation modality. In total, under the Special Programme 2021, the EU allocated fund of **€150M** in favor of the Afghan people following the Taliban takeover. The amount is subject to increase or decrease of up to €10M and not exceeding 20% of the total allocation. The special measure is driven by two specific objectives (outcomes) as laid out in the Commission's Action Document (2021) including:

1. To safeguard a minimal functioning of basic services for the Afghan population in complementarity with humanitarian relief efforts. This focuses on continued access to health and nutrition services particularly women, children, and vulnerable people and continued access to quality primary and secondary education in safe learning environments, in particular for girls.
2. To safeguard livelihoods of the population. This primarily concerns safeguarding community-based employment and income-generating opportunities as well as economic activities and opportunities for Micro, Small, Medium Enterprises (MSMEs) as well as enhanced food security and enabled sustainable food production and processing including food diversification.

Table 3 below presents the priority sectors and target areas covered by the fund:

Afghanistan Essential Services and Livelihoods Stabilisation Programme (2021)	
Priority sectors	Target areas
Education	Migration
Health	Social inclusion and human development
Infrastructure and social services	Gender
Agriculture	Education
	Human rights, democracy, and governance

Under the special measure, the EU aims to deliver package of essential services through existing, non-government structures. The main delivery channels are through non-governmental organizations (NGOs) and civil society, World Bank, and United Nations specialised agencies including UNDP, UNICEF, UNHCR, and WHO.

With regards to conditionalities, the implementation of the special measure does not expect financing agreement with Afghanistan. However, the Commission has set implementation arrangements which

constitute of rules and procedures in the provision of financing to third parties including review procedures and compliance of the action with EU restrictive measures that follow the two specific objectives and specific outcomes set under the Action Document.

Afghanistan Essential Services and Livelihoods Stabilisation Programme (2022)

For the year 2022, EU budget contribution for the implementation of the special measure to Afghanistan amounted to **€150M**. Under the flexibility clause, the amount is subject to increase or decrease of up to €10M and not exceeding 20% of the total allocation (European Commission, 2022). Moreover, the budget is distributed based on the implementation modalities of 1) indirect management with international organization (€90M); 2) direct management (grants) (€55M); and 3) procurement (€5M). The special measure 2022 is driven by three specific objectives (outcomes) as laid out in the Commission's Action Document (2022) including:

1. To improve the uptake of basic services of the Afghan population with particular focus on women, girls, and vulnerable groups in complementarity with humanitarian actions (**60% of the total amount of the budget**). This objective focuses on enhanced access to health and nutrition services, enhanced inclusive access to quality primary and secondary education, and enhanced access to protection for boys and girls victims of violence and access to protection services for survivors of sexual and gender-based violence.
2. Enhance the use of opportunities for the improvement of the populations' livelihoods especially women, girls, and vulnerable groups (**35% of the total budget**) This primarily concerns safeguarding community-based employment and income-generating opportunities as well as economic activities and opportunities for Micro, Small, Medium Enterprises (MSMEs) as well as enhanced food security and enabled sustainable food production and processing including food diversification.
3. If conditions are met: improve the enabling environment for support to basic services and protection of livelihoods (**up to 5% of the total budget**). This focuses on the strengthened capacity of the Central Bank (DAB) and core public and private financial sector institutions in macroeconomic management, should this assistance become politically acceptable and technically feasible after due consultations of relevant Commission services, the EEAS, and the EU Member States, including through relevant Council working groups such as COASI and or CODEV⁸.

⁸ Further detailed information on the distribution of the Special Measure 2022 to Afghanistan can be accessed through: https://international-partnerships.ec.europa.eu/countries/afghanistan_en#:~:text=Through%20special%20measures%20and%20regional,refugees%20in%20Iran%20and%20Pakistan.

Table 4 below presents the priority sectors and target areas covered by the fund in 2022:

Afghanistan Essential Services and Livelihoods Stabilisation Programme (2022)	
Priority sectors	Target areas
Basic services and livelihoods	Social inclusion and human development
	Gender
	Education

Similar to the special measure in 2021, under this special measure, the EU aims to deliver package of essential services through existing, non-government structures. However, for the 2022 Action, the EU added procurement as additional implementation modality. As with the conditionalities, the implementation of the special measure 2022 also does not expect financing agreement and are bounded by implementation arrangements set by the European Commission that primarily follow the two specific objectives and specific outcomes set under the Action Document.

CHAPTER III – EU Humanitarian Operations in Afghanistan

The prolonged conflict, reoccurring natural disasters and extended economic downfall and decline as a result of political pandemonium and continued violence, Afghanistan presents dire humanitarian situation. In addressing external humanitarian crisis, the EU carries out humanitarian operations worldwide. The European Commission authorizes annual financing decisions from the EU budget to Directorate-General Civil Protection and Humanitarian Aid Operations (DG ECHO) to carry out EU humanitarian assistance, which also includes Afghanistan. The Commission ensures rapid and effective delivery of EU relief assistance through two main instruments of civil protection and humanitarian aid. Afghanistan falls into the latter.

Since 2012, the European Commission adopts annual “Worldwide Decisions” which essentially covers all humanitarian aid operations. This is followed by the publication of ‘Humanitarian Implementation Plans’ (HIP) prepared by DG ECHO that provides detailed information on the operational priorities.

In order to assess EU's humanitarian assistance to Afghanistan before and following the Taliban takeover in 2021, the following table presents the detailed information of the Worldwide Decision under HIP from 2014 to 2023. The data is extracted from documents uploaded in DG ECHO Financing Decisions (HIPs) site for each year⁹. As seen in the table below, the humanitarian fund allocated to Afghanistan following the Taliban takeover in 2021 and 2022 significantly increased compared to the years prior.

Year	Total Worldwide Decision Fund Allocation	Worldwide Decision Fund to Afghanistan	Budget allocation per Actions
2023	€1.7B	€89M	<ul style="list-style-type: none"> • €78M for all humanitarian operations • €10,5M for all Education in Emergencies (EiE)
2022	€1.5B	€168M	<ul style="list-style-type: none"> • €163,5M for all humanitarian operations • €4,5M for all Education in Emergencies (EiE)
2021	€2B	€222M	<ul style="list-style-type: none"> • €218M for all humanitarian operations • €4M for all Education in Emergencies (EiE)
2020	€896M	€69M	<ul style="list-style-type: none"> • €69M for all humanitarian operations
2019	€1.7B	N/A	N/A
2018	€1.3B	€26M	<ul style="list-style-type: none"> • €26M for all humanitarian interventions for man-made disasters
2017	€1.8B	€29,5M	<ul style="list-style-type: none"> • €29,5M for all humanitarian interventions for man-made disasters
2016	€1.9B	€47M	<ul style="list-style-type: none"> • €47M for all humanitarian interventions for man-made disasters
2015	€837,5M	€40,1M	<ul style="list-style-type: none"> • €39,7M for all humanitarian interventions for man-made disasters • €385 000 for for all humanitarian interventions for natural disasters
2014	€898,6M	€31,5M	<ul style="list-style-type: none"> • €30,5M for all humanitarian interventions for man-made disasters • €1M for all humanitarian interventions for natural disasters

9 The documents may be accessed through the webpage: https://civil-protection-humanitarian-aid.ec.europa.eu/funding-evaluations/funding-humanitarian-aid/financing-decisions-hips_en

The humanitarian aid instrument of DG ECHO through the Worldwide Decision is strictly based on annual assessment of humanitarian needs, in line with the Lisbon Treaty, the Humanitarian Aid Regulation and the European Consensus on Humanitarian Aid. Hence, **the provision of the humanitarian aid does not come with conditionalities with partner countries but follows concrete needs assessment through the use of internationally recognised indices** namely the INFORM Risk Index (identifies risk of humanitarian crises and disasters), INFORM Severity Index (objectively measures and compares severity of humanitarian crises and disasters), and assessments conducted by humanitarian experts present on the ground.

CHAPTER IV – Russia and China's Engagement to Afghanistan Post-Taliban Takeover: A Comparison to EU

The Taliban's return to power after almost 20 years of insurgencies followed by the withdrawals of many foreign establishments and forces from the country, have raised prompted discussion about how other countries recalibrate their engagement to Afghanistan. For both China and Russia, the Taliban's takeover presents both risks and opportunities. The withdrawal of foreign troops from Afghanistan creates opportunity for new regional order the potential for increased bilateral cooperation which would affect the dynamics of China-Russia relations in both Central Asia and South Asia. This chapter explores both Russia and China's engagement to Afghanistan following the return of Taliban to provide comparison to EU's financial engagement.

China's Financial Footprint Post-Taliban Takeover

Following the Taliban takeover, while the western front was pondering their strategy to engage with Afghanistan, China was the first foreign country to pledge emergency humanitarian aid to Afghanistan. According to the data extracted from the Embassy of People's Republic of China (PRC) in Afghanistan, China (2022), China provided **¥250 million (±US\$37,4 million)** in 2022. The aid package included food supplies and 3 million doses of Covid-19 vaccines. While this was well received by the Taliban authorities, Chinese assistance was minor compared to the development assistance from countries like the US who donated over \$1.1 billion in the year following the Taliban takeover, or the EU as presented by the data in the previous chapter. In June 2022, China additionally distributed **¥50 million (±US\$7 million)** following the earthquake and floods as emergency relief. Insofar, there are no indications that China would step up into the role of a primary provider of development aid to Afghanistan (Zhou, Su, & Yuan, 2022).

China is among the few countries that have recognized Afghanistan under the Taliban rule in regards to having diplomatic mission in the country. It is also one of the countries that have accepted Taliban diplomats in their capitals as with Pakistan, Russia, Iran, Turkey, Qatar, Uzbekistan, Kazakhstan, Turkmenistan and the United Arab Emirates. It is worth noting that China's engagement to Afghanistan is not focused on nation-building rather driven by economic interests and treaded by investments (Zeino, 2019). Following the Taliban takeover, some smaller-scale economic activity by both private and public sector Chinese entities and individuals could be observed. For instance, in April 2022, the Taliban re-approved a \$216 million Sino-Afghan industrial estate which is Chinese

investment project for an industrial park outside Kabul expected to host 150 factories (Zhou L. , 2022). On the other hand, unlike EU, Chinese funding to Taliban-led Afghanistan has thus far not been channeled through multilateral UN-led formats, but rather through bilateral and mini-lateral formats with the Taliban and neighboring states, which reflects China's pursuit of security interests, requiring more direct levers of economic influence (Zhou, Su, & Yuan, 2022).

Unlike other donors as such the US or EU, China traditionally refrains from using aid conditionally to support or promote reform. While China has also emphasized the need for the Taliban to be more inclusive, the promotion of such norms is much lower priority for Chinese officials, who puts emphasis on non-interference and the particularities of Afghan national conditions. China's overall approach to foreign aid places great emphasis on the commercial dimension of cooperation (Zhou, Su, & Yuan, 2022). Hence, the first meeting between China's Foreign Ministry and Afghan Ministry of Foreign Affairs focused largely on discussion of trade projects (Ministry of Foreign Affairs of the People's Republic of China, 2021).

Russia's Strategic Ambivalence to Taliban-led Afghanistan

While Russia, like the rest of the international community, does not recognize the Taliban government, it is one of the few countries that has maintained an embassy in Kabul and a special representative to Afghanistan. It has also accepted Taliban diplomats in their capital (Saine & Rahmani, 2022). Despite this, Russia remains ambivalent with its engagement to the new Taliban-led government as Moscow continues to regard Afghanistan as a source of instability.

The Taliban has strived to diversify its trading partners especially in the midst of international sanctions and the freezing of assets which has shrunk its economy significantly. While the exact numbers remain unclear, numerous reports have presented the news of Russia's trade deal in terms of export and import with the Taliban-led Afghanistan in 2022. While this only serves as preliminary and provisional agreement, the deal puts focus on cooperation in the mining of rare minerals and natural gas in Afghanistan as well as the transport natural gas (Al Jazeera, 2022).

CONCLUSION

The EU has adjusted its approach in the provision of aid to Afghanistan following the recent development in the country. In the absence of constitutionally elected government, the commitment to provide financial assistance to the Afghan people remains the same, if not even greater particularly in livelihood assistance, but only through indirect channels of relevant international partners such as UN agencies and international NGOs working on the ground. EU's bilateral financial aid, combining development cooperation and humanitarian assistance **prior to Taliban takeover amounts to ±€1.6 billion between 2014-2020**. This number roughly translates to funding ±€228 million per year. Meanwhile the financial engagement both through Special Measure Programmes under NDICI Global Europe and the humanitarian assistance **post-Taliban takeover accumulates to ±€779 million for the period of end of 2021-2023**, which roughly is an estimate of ±€311 million per year. This amount is significantly higher compared to the financial assistance provided by other countries like China who pledged only ±14% of this amount (±\$37,4 million) in 2022.

The finding above implies that EU still has, or should have, a significant leverage in terms of its financial engagement post-Taliban takeover. Understandably, the increase in EU spending and fund distribution to Afghanistan is a direct response to the dire need of humanitarian assistance in the country. The most prominent challenge for the EU, however, is to address the risk of misuse and diversion of these financial aid for terrorist financing and corruption by third party stakeholders such as the rising Taliban-affiliated NGOs attempting to solicit foreign funds. More importantly is the question of whether the increase in EU spending to Afghanistan should and can be utilized to lead to more influence towards political changes in the country?

In the past, EU's financial engagement to the country has been guided by sets of conditions such as the Tokyo Mutual Accountability Framework for the DCI under MFF 2014-2020 and other specific conditionality's set by different instruments. Following the Taliban takeover, much of EU's financial aid to the country have been guided primarily by the five benchmarks of cooperation and mainly the delivery of fund through third-party channels. The target of the financial assistance therefore has also been adapted to the primary needs of life-saving assistance, whereby EU provides humanitarian aid and support for basic needs. These assistances are implemented without linkages and interference from the de facto authorities. Such approach is quite different to the engagement done by other powers such as China and Russia who seem to be more willing to engage directly with the Taliban authorities by focusing on the commercial aspects of engagement despite also a small amount of humanitarian assistance.

In the following page (Annex I), this background brief provides a table which presents an overview of EU's overall financial aid to Afghanistan from two different funding streams consisting of different instruments

in both pre- and post- Taliban takeover. As presented, in the pre-Taliban takeover, there are two funding streams channeled to Afghanistan namely the development cooperation which consists of 3 instruments including the DCI, IcSP, and EiDHR for the MFF 2014-2020, and the humanitarian assistance of Worldwide Decision under HIP from the same period of 2014-2020. On the other hand, following the return of Taliban, EU's funding stream for development cooperation was merged into one single instrument namely NDICI Global Europe and additional thematic programmes with focus on human rights and democracy, CSO, Peace, Stability and Conflict Prevention, and rapid response actions. As a response to Taliban takeover, Afghanistan received funding under Special Measure programmes for the year of 2021 and 2022. Unlike the development cooperation instruments prior to the takeover, the special measures don't come with specific conditionality. While the humanitarian assistance under the instrument of Worldwide Decision remains following the Taliban takeover, it is clear that the total amount of EU funds has increased in the year following the takeover.

ANNEX I: EU's budget allocation to Afghanistan pre- and post-Taliban takeover

	Instrument	Period	Budget contribution/year	Stakeholders	Focal sectors	Conditionalitys
Pre Taliban Takeover	DCI ¹⁰	2014-2020	€1.4B (±200 M/year)	DG INTPA and EU Delegation in Kabul	Agriculture and Rural Development; Health; Policing and Rule of Law; and Democratization and Accountability.	Representational democracy and equitable elections; Good governance, rule of law, and human rights; Integrity of public finance and commercial banking; Government revenues, budget execution, and sub-national governance; Inclusive and sustained growth and development.
	IcSp ¹¹	2014 - 2020	€27M (±€3,8M/year)	DG INTPA and EEAS	1) Assistance in response to situations of crisis or emerging crisis to prevent conflicts ; 2) Assistance for conflict prevention, peace-building, and crises preparedness ; and 3) assistance in addressing global and trans-regional threats and emerging threats.	baaed on individual projects
	EiDHR ¹²	2014-2020	€7,5M (±€1,07M/year)	DG INTPA and EEAS	Transitional justice, political participation of citizen especially the inclusion of women and youth in public and political sphere, the support of the role of independent media	N/A
	Worldwide Decision under HIP ¹³	2020	€69M	DG ECHO	Humanitarian operation	Based on need assessments
		2019	N/A		N/A	
2018		€26M	Humanitarian interventions for man-made disasters			
2017		€29,5M				
2016		€47M				
2015		€40,1M				
2014	€31,5M	Humanitarian interventions for man-made disasters and natural disasters				
Post Taliban	NDICI - Global Europe ¹⁴	2022	€150M	DG INTPA and EEAS	Social inclusion and human development; gender; and education.	No conditionalities, but subject to implementation arrangements based on specific objectives with third parties
		2021	€150M		Migration; social inclusion and human development; gender; education; and human rights, democracy, and governance	
	Worldwide Decision under HIP ¹⁵	2023	€89M	DG ECHO	Humanitarian operations and education	Based on need assessments
		2022	€168M			
		2021	€222M			

10 European Commission DG Development and Cooperation; European External Action Service. (2014). Multi-Annual Indicative Programme 2014-2020. EU Development Cooperation Instrument. European Union. Retrieved from https://www.eeas.europa.eu/sites/default/files/multi-annual-indicative-programme-2014-2020_en_0.pdf

11 Information retrieved from Commission's unpublished internal data (22 May 2023)

12 *Ibid*

13 The data can be retrieved through: https://civil-protection-humanitarian-aid.ec.europa.eu/funding-evaluations/funding-humanitarian-aid/financing-decisions-hips_en

14 The data can be retrieved through: https://international-partnerships.ec.europa.eu/countries/afghanistan_en#:~:text=The%202020%20Afghanistan%20conference%20sent,under%20the%20MFF%202021%2D2027

15 The data can be retrieved through: https://civil-protection-humanitarian-aid.ec.europa.eu/funding-evaluations/funding-humanitarian-aid/financing-decisions-hips_en

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