

DACAAR



Annual Report 2006

TABLE OF CONTENTS

About DACAAR	4
Director's Introduction	5
A Glance at DACAAR	6
Security	8
The Water and Sanitation Programme	9
Emergency Drought Project	14
The Rural Development Programme	16
The Microfinance Programme	21
Public Information	24
Use of Funds	25
List of Abbreviations	26
Governing Board	27

ABOUT DACAAR

DACAAR: Danish Committee for Aid to Afghan Refugees.

The three organisations that form DACAAR: Danish Refugee Council, Danish People's Aid and Danish Association for International Co-operation. DACAAR was founded in 1984.

Objective: DACAAR aims to support the development of sustainable livelihoods for rural Afghans through cooperation with government institutions in Afghanistan, capacity building at community level, improving rural infrastructure and facilities such as drinking water systems and improving community management of natural resources.

DACAAR programmes: The Rural Development Programme (RDP), the microfinance programme, MADRAC, and the Water and Sanitation Programme (WSP).

RDP: Long-term rural development projects are carried out in 11 districts of 6 provinces. Around 148,000 households, equal to more than one million people are estimated to benefit.

MADRAC: Aims to support and uplift the livelihoods of households below the poverty line through improved access to financial services.

WSP: Around 5 million people in Afghanistan benefit from more than 37,000 water points installed by DACAAR in rural districts in 24 of Afghanistan's 34 provinces. The programme integrates hygiene education and promotion of hygienic sanitation facilities.

Employees: DACAAR employs approximately 1,150 Afghans and around 15 international staff members.

MISSION, VISION AND VALUES

Mission

DACAAR is a Danish non-governmental, humanitarian organization that supports sustainable development in Afghanistan through promoting the ability of local communities to decide upon and manage their own development process.

Activities are implemented in cooperation with civil society organizations, the private sector and governmental institutions with a particular emphasis on poverty eradication and assistance towards the return and re-integration of refugees and internally displaced people

External vision

Rural Afghan communities are effectively and in a sustainable way managing local resources in a constant improvement of livelihoods. As part of a strong civil society and with support from governmental institutions, local community organizations and individual men and women to have access to social

services and are able to effectively improve quality of life and to withstand periods of calamity and stress.

Internal vision

DACAAR is a well-known and respected NGO with a strong anchorage in Afghan society. It is a transparent development organization with clear and updated policies and strategies and with committed and experienced Afghan staff, also in key management positions.

Values

- Efficiency
- Honesty
- Participation
- Quality
- Transparency

DIRECTOR'S INTRODUCTION

In 2006, instability and war continued to hamper the effort to bring development to the Afghan people, who are still struggling to recover after decades of war. With the Government of Afghanistan adopting the Afghan Compact and the Interim-Afghanistan National Development Strategy (I-ANDS), the country has taken its first steps towards a comprehensive development strategy. The process of consultation towards a full Poverty Reduction Strategy started towards the end of 2006, and DACAAR is contributing to the discussions through a number of forums.

DACAAR remains firmly committed to supporting Afghanistan's long term development goals and to assisting the nation building efforts of the Government of Afghanistan. In 2006, DACAAR continued to act as a facilitating partner in the National Solidarity Program (NSP), establishing linkages between village councils and development projects, supported by grants from the government. Expanding the NSP while at the same time maintaining the high quality of the programme remains a huge challenge for facilitating partners, the Afghan Government and the international donors.

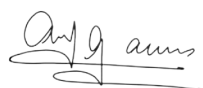
To maintain a strong focus on our core activities, rural development together with providing water and sanitation, DACAAR handed over the DACAAR Sewing Centre to an independent Afghan NGO, Zardozi, in 2006. Likewise, Microfinance Agency for Development and Rehabilitation of Afghan Communities (MADRAC), DACAAR's rapidly expanding microfinance institution, will be registered as an independent, Afghan NGO during 2007 after two years under the wings of DACAAR.

2006 also saw the closing of the remaining DACAAR office facilities in Peshawar, thus ending DACAAR's 22-year long history in Pakistan. For the first 18 years, DACAAR's main office was situated in Peshawar with field offices in a number of provinces in Afghanistan. But, for the first time since the birth of our organiza-

tion, all DACAAR's development activities will, from 2007, take place in Afghanistan.

Flexibility will be a keyword for DACAAR in the coming years. Adapting to the fast changing political realities, we are constantly reviewing our organizational set up. As an example, DACAAR is getting increasingly involved in providing training to Afghan institutions – government, private and NGOs – thereby assisting with achieving sustainable nation building.

The reconstruction of Afghanistan has never been an easy task. Again in 2007, the population will face serious challenges from war, drought and delays in promised funding, leaving many problems to be dealt with by the Afghan government and the international community. Representing one of the most solid and well respected NGOs in Afghanistan, I, and the rest of the DACAAR staff, will continue to strive to restore hope and bring viable progress to the rural Afghan population.



Arif Qaraeen
Director



A glance at

Wardak Province
Safe water, sanitation and hygiene education

Balkh Province
Emergency drought project: water distribution, wells, pipe schemes and hygiene education

Baghlan Province
Rehabilitation of wells and hand pumps

Faryab Province
Emergency drought project: water distribution, wells, pipe schemes, latrines and hygiene education

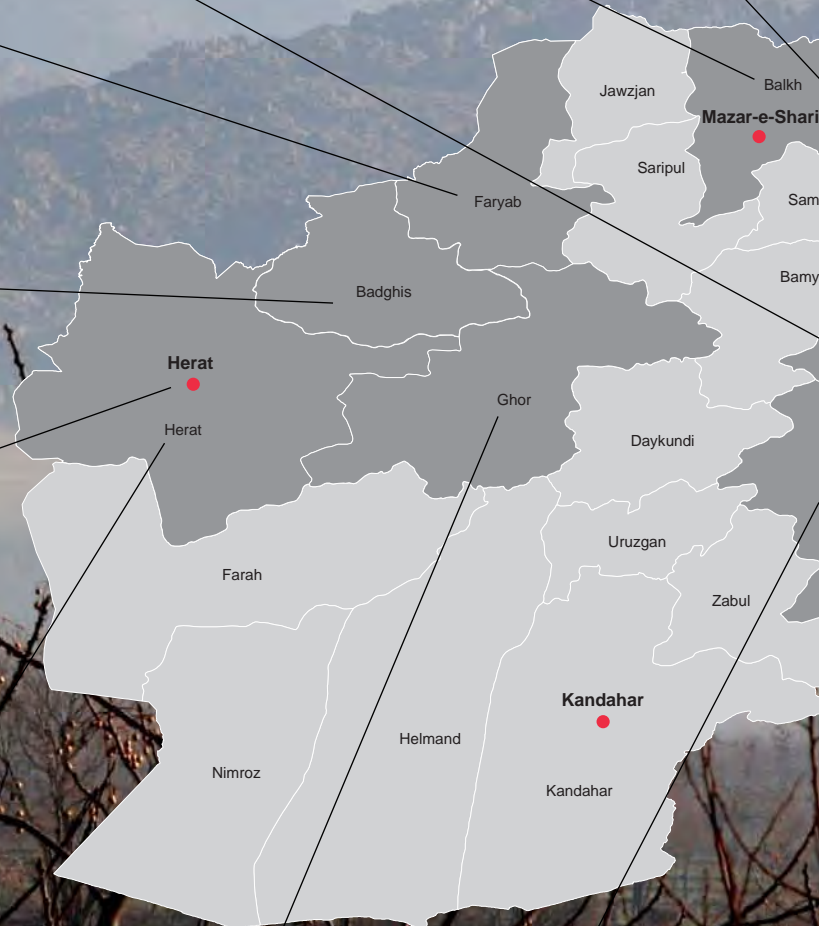
Badghis Province
CDC capacity building
Rural extension
Natural resource management

Herat City
Headquarter for Western Afghanistan/sub-office, DACAAR west sector
Training: DACAAR staff, local government and private sector

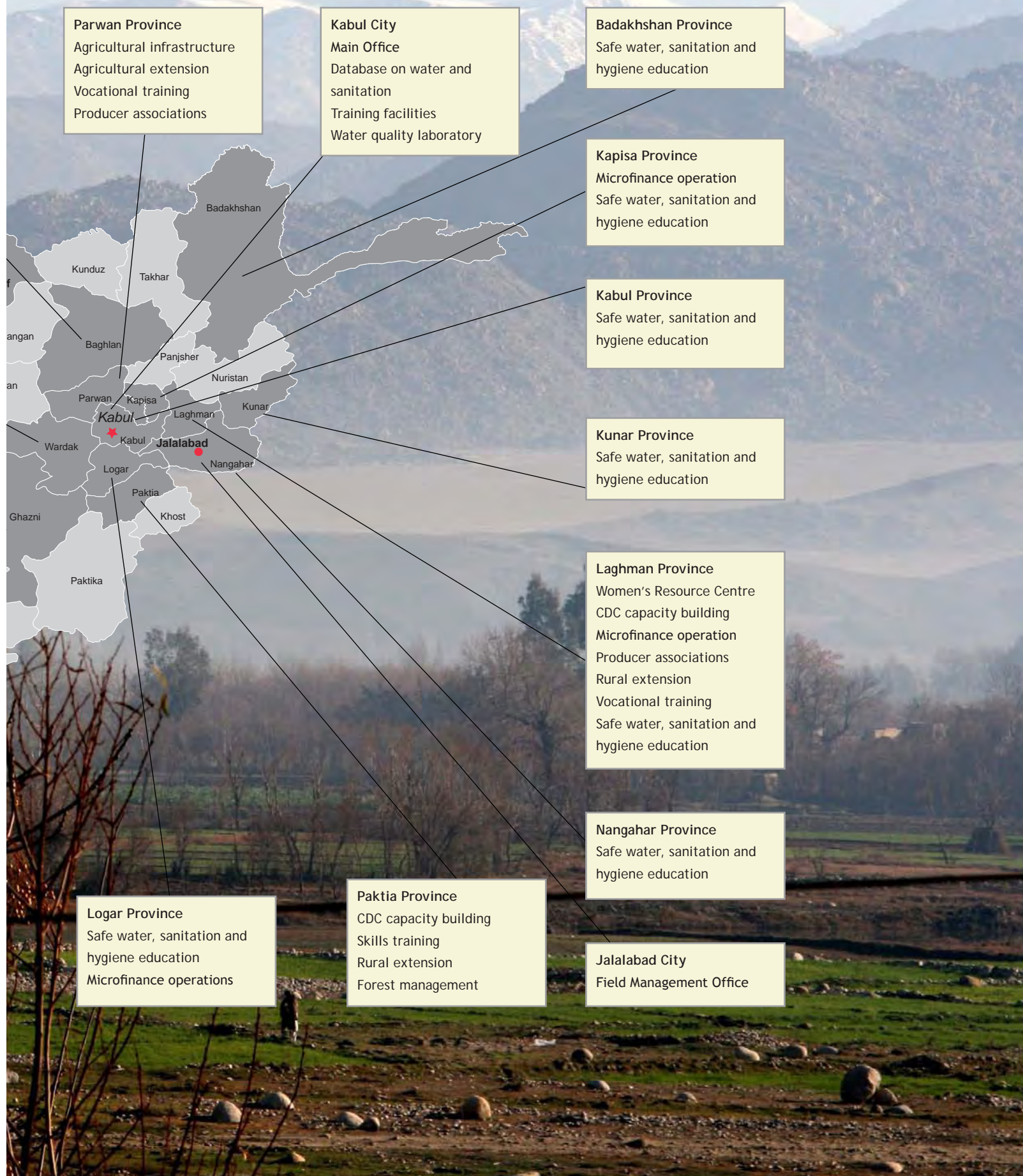
Herat Province
Saffron production and research
Producer associations
Women's Resource Centres
CDC capacity building
Microfinance operations
Safe water, sanitation and hygiene education
Farming machinery: distribution and training
Skills training
Research in rural livelihoods

Ghor Province
Safe water, sanitation and hygiene education

Ghazni Province
Women's Resource Centre
CDC capacity building
Microfinance operations
Safe water, sanitation and hygiene education
Vocational training
Research in rural livelihoods



DACAAR 2006



SECURITY

Working in a volatile security environment, DACAAR constantly has to consider the possibility of threats and attacks. Despite this situation, in 2006 DACAAR managed to implement its planned activities. Of key importance is maintaining close contact with the local communities.

The overall security situation in Afghanistan continued to worsen during 2006. NATO's expansion into the southern provinces was met by a resurgent and assertive Taliban, who managed to launch large scale military operations against Afghan and foreign military forces. As always, the civilian population paid the heaviest price. Crossfire, suicide bombings, air raids and punitive attacks from anti-government forces all contributed to hundreds of civilian casualties in what is clearly the worst humanitarian situation in Afghanistan since 2001.

During 2006, particularly two incidents caused grave concerns in the international aid community. First, the cartoons of the Prophet Muhammad (PBUH), published by a Danish newspaper, led to strong and widespread anger towards the West in various parts of Afghanistan. Even more serious was the tragic traffic accident in May, where an American military vehicle crashed and killed four civilian Afghans in Kabul. The incident led to devastating riots throughout the capital, during which several UN/NGO offices were destroyed. Fortunately, no retaliation was directed specifically against DACAAR as a result of these two events. DACAAR did, however, suffer from other assaults directed towards the organization.

Attacks on DACAAR

The most serious incident to take place was the killing of a DACAAR guard by armed and masked men in Paktia Province in October 2006. The motive appeared to be robbery, but DACAAR suspended activities in the area for a few weeks while field staff were relocated. Additionally, two separate attacks against DACAAR in Barakat Valley in Ghazni Province forced DACAAR to relocate a field office to Ghazni City.

The first incident in Barakat Valley happened on 2 July when a group of masked and armed men stopped three DACAAR staff on their way to a project site. The attackers warned them that DACAAR should stop working in the area, and shortly thereafter started shooting. All DACAAR staff managed to escape unharmed and the attack only resulted in material damage. On 10 July, a large group of masked and armed men ransacked DACAAR's field office in Barakat, threatening to kill staff working in the area unless activities ceased. The group looted the office and set a vehicle on fire before leaving with mobile phones, motorbikes and other equipment.

These and other incidents affected all DACAAR's programmes during 2006, making security problems the biggest challenge in implementing planned activities.

For DACAAR, the key to being able to work in this sometimes unstable security environment has always been to maintain a close relationship with local communities. Following the killing of the DACAAR employee in Paktia Province, more than 200 people – among them elders, tribal leaders and local government representatives – gathered to discuss the attack. Participants condemned the killing and voiced a strong support for a continued DACAAR presence in Jaji District. DACAAR subsequently resumed activities.

In order to tackle and prevent security incidents, in 2007 DACAAR has recruited a security coordinator, who will continuously compile security updates and implement security as a cross cutting theme throughout the organization.

THE WATER AND SANITATION PROGRAMME

The provision of clean water and adequate sanitation remains a core task for DACAAR. While still the leading water and sanitation agency in Afghanistan, DACAAR WSP is gradually shifting its focus from construction and monitoring of water points to capacity building of rural communities, government and the private sector.

DACAAR is firmly committed to contributing to the UN’s Millennium Development Goal number 10 of halving the proportion of people without sustainable access to safe drinking water and basic sanitation by 2015; a goal that is of key concern for Afghanistan, where many rural communities still rely on water resources that are not suitable for human consumption.

Construction of water points has been DACAAR’s trademark for the past two decades, and DACAAR Water and Sanitation Programme (WSP) is continu-

ously constructing wells and installing stand posts in rural areas. At the same time, WSP is embarking on a new strategy that involves moving away from construction of water facilities and focusing more on monitoring, hygiene education, and providing technical advice to the Government of Afghanistan and other organizations as well as private companies working in the water sector. An example of the new direction will be the establishment of a knowledge centre in Kabul, gathering all relevant technical information about the water sector in Afghanistan.

PROVIDING SAFE WATER AND SANITATION

Far too many Afghans have access only to dirty, unsafe water resources, which continue to cause serious health problems, particularly in rural areas. Furthermore, the situation is often worsened by droughts, the drying out of wells and devastating flooding.

A total of 901 water points were constructed by WSP during 2006, adding to the approximately 36,000 water points installed throughout Afghanistan by DACAAR since 1990. This is clearly not as many as previous years, but the new installations still provided clean water to more than 20,000 families – or approximately 140,000 individuals.

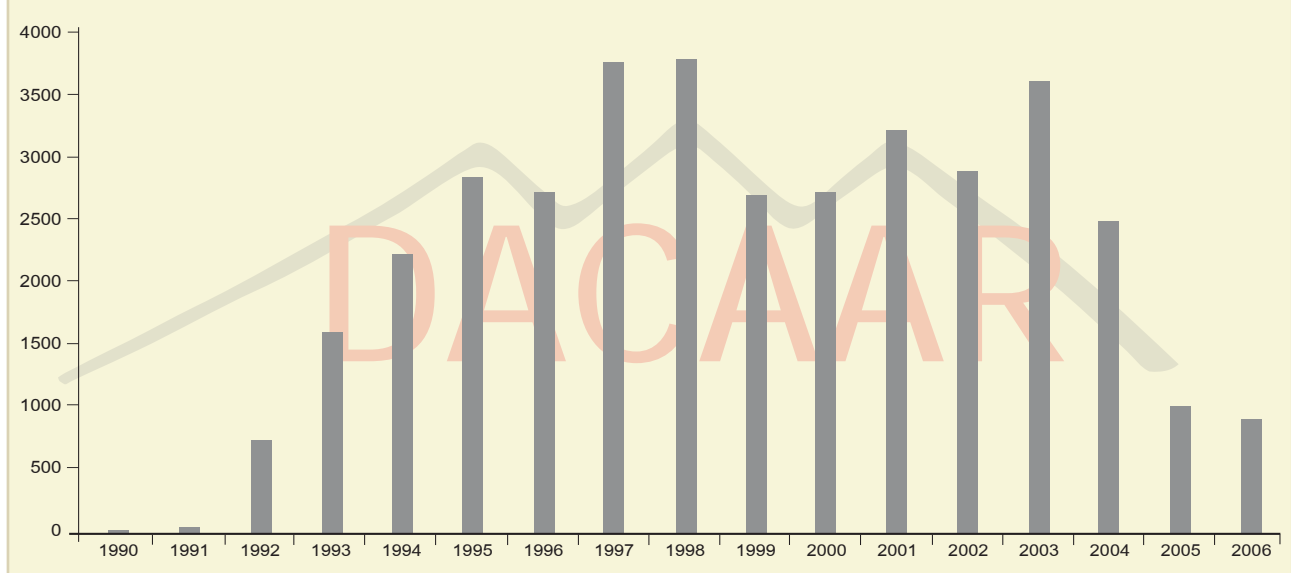
The decrease in water points installed by DACAAR compared to previous years reflects political changes taking place in Afghanistan. The NGO Law, implemented in 2005, asserts that local Afghan contractors if possible should implement construction work, such as the digging of wells. DACAAR fully supports this policy of empowering Afghan organizations and private companies, and will in the future increasingly

focus on the software components, like local needs surveys, hygiene education in local communities and ground water monitoring.

Installation of adequate sanitation facilities is given priority by WSP. For many years, WSP has constructed three latrines alongside each water point, leading to the completion of 2,955 new latrines in 2006. Upon recognizing the health benefits of basic sanitation, communities are encouraged to replicate the latrines to cover all households in a project site.



Number of WSP water points installed 1990-2006



Emergency water projects in Northern Afghanistan

With more than 20 years experience of supplying safe water, DACAAR has the capacity to react to emergencies at very short notice. In 2006, DACAAR delivered much needed drinking water from tanker trucks to three districts in Balkh Province, seriously affected by drought. As part of the Emergency Drought Project funded by Humanitarian Aid Department of the European Commission, 2.2 million litres of water was distributed from October to December 2006, helping an estimated 2,556 families.



DACAAR has always focused on quality in its implementation in order to secure long term sustainability. To achieve this goal, DACAAR always involves local communities to ensure that hand pumps continue functioning in a satisfactory manner following DACAAR's withdrawal. 15 new pump mechanics were trained by DACAAR in 2006, bringing the total number of private sector maintenance personnel, trained by DACAAR, to 401. The mechanics, selected by the relevant communities, receive their technical training while the construction is taking place. Following project completion, each is responsible for the maintenance of 50 to 100 wells. To secure the sus-

tainability of the water points, local shopkeepers are offered a starting package of spare parts to convince them to function as spare parts shop dealers.

Furthermore, to keep the failure rate as low as possible, Hand pump Inspection Teams (HITeams) have been established to monitor water points. HITeams solve basic problems through the community and the designated maintenance mechanic. Ten such teams were operational during 2006. The HITeams aim to visit each water point in their designated areas at least twice a year, depending on the security situation.

The mechanic and the inspector

Kholum District near Mazar-e-Sharif chose Abdul Khalil as the mechanic responsible for maintaining the water points in the area. After undergoing training provided by DACAAR during 2006, Abdul Khalil is now using his knowledge to maintain the 135 water points, new and old, in the area. "The most common problem I encounter is rust in the foot valve. But with my technical training and the spare parts provided to me by the villages, keeping the pumps in a good shape is not a big

problem", Abdul Khalil explained.

Asadullah has been in charge of the HITeam based in Mazar-e-Sharif for the past two years. After checking the functionality of the water point he assesses the water quality, using state of the art equipment to measure temperature, PH value and the exact position. Asadullah's HITeam checked and recorded 1,336 wells during 2006.



HYGIENE EDUCATION

The purpose of providing proper water and sanitation facilities is to improve the health situation for the beneficiaries. However, experience proves that the provision of clean water alone does not significantly improve the health situation of beneficiaries. Thus, in order to obtain the best possible impact, installation of water points and latrines has been combined with hygiene education, where simple measures like washing hands are emphasized. Hygiene education is a regular feature of all DACAAR's water and sanitation projects.

DACAAR uses a face-to-face method of conducting hygiene education. The messages are delivered during

household visits, where several families are present to learn the messages from DACAAR's hygiene promoters. Beneficiaries include all user groups, involving men, women and children. Additionally, hygiene education supervisors have delivered hygiene messages to schools, clinics, religious leaders, village elders and government offices.

To ensure women's involvement in all stages of water and sanitation projects, female hygiene supervisors make sure that local women are included in the selection of sites for water points. At some locations local women have even constructed latrines themselves.

The impact and quality of DACAAR's hygiene education was measured by a 'Knowledge, Attitude and Practice' (KAP) study carried out in Faryab Province. A DACAAR research team interviewed a total of 468 people from 22 villages, and results were encouraging. The study revealed that the desired changes in daily routines, like frequent washing of hands, had taken place. To ensure sustainable changes in hygiene behaviour, WSP has decided to increase the household visits and a follow up study will take place in 2007 to survey the long term impact. In the future KAP studies will be a regular feature in WSP projects.

In 2007, DACAAR plans to shift to a more interactive approach, in which the hygiene sessions will be more practical and include more hands-on exercises with less lecturing by the hygiene promoter. The aim is to overcome the gap between existing knowledge and lack of hygienic behaviour and encourage the beneficiaries to put the knowledge into practice.

Educating children will be another major goal for future hygiene education. DACAAR will continue training hygiene promoters in giving messages to children and plans to set up a pilot project to gain more experience in aiming health education at children.

A busy year for hygiene promoters

Approximately 26,500 families in 11 provinces received hygiene messages from DACAAR's 24 hygiene education couples and six hygiene education supervisory couples in 2006.



Message promoting washing of hands before eating



Message promoting collection of safe water

COOPERATING WITH THE GOVERNMENT

DACAAR remains committed to a strategy of capacitating the Afghan government to take full responsibility for the provision of safe water and sanitation to its population. For this reason, the continued support to and collaboration with the Ministry of Rural Rehabilitation and Development (MRRD) is one of the main challenges for the DACAAR Water and

Sanitation Programme. WSP is a member of the Water Sector Group (WSG) in the MRRD and have been leading the water focused Technical Working Group in the ministry.

In 2006 DACAAR launched a new training programme in cooperation with MRRD. The pro-

programme involved 460 water and sanitation engineers from across Afghanistan. The majority of the engineers, 420 in total, came from provincial departments of the ministry, and on request an additional 40 engineers from NGOs in Afghanistan were trained. The trainings, both theoretical and practical, provided skills on technical, social and health related aspects, such as:

- Hygiene and sanitation promotion
- Project cycle management
- Orientation on pipe schemes
- Geographic Information System (GIS) and surveying
- Well construction training
- Social aspects of water projects

Such training sessions exemplify how DACAAR is gradually changing its focus from implementation to capacity building; a change desired by the Government of Afghanistan and for DACAAR a logical step to support the development of Afghanistan.

The support to the private sector will be maintained in 2007. In 2006, more than 90 percent of tube wells were drilled by private contractors. This privatization has led to quality problems together with a threefold increase in prices; issues, that DACAAR will address

through continued support to capacitate the private water sector in Afghanistan.

Documentation of project implementation and applied methods will be another major challenge in the years to come. As an example, DACAAR WSP is moving into more remote areas with difficult drilling conditions, so DACAAR needs a carefully planned approach combined with proper documentation to secure donor understanding for the higher costs in some locations. As always, dialogue and cooperation with local communities will be the key to success for DACAAR's water projects.



DACAAR training the Afghan water sector

National water database

WSP is continuously updating a database of water projects in Afghanistan on behalf of the Water and Sanitation Group in the Ministry of Rural Rehabilitation and Development (MRRD).

A Geographic Information System (GIS), a computer program, was implemented in 2003 in order to analyze the information on water resources in Afghanistan, gathered in the database. Besides the collection and verification of 'pure' data, the database is also used for other purposes, such as the calculation of coverage of

safe drinking water in specific areas, evaluation of arsenic values and planning of ground water monitoring.

The database will be handed over to the Government of Afghanistan, but until that happens WSP will continue to update and make the database accessible to users. A CD-ROM copy of the database is available, and can be obtained through the MRRD Water and Sanitation Department by all aid agencies and stakeholders in the water and sanitation sector in Afghanistan.

Emergency water supply



Severe drought in Balkh and Faryab provinces in Northern Afghanistan has left people with little or no drinking water in several districts. With funding from Humanitarian Aid Department of the European Commission, DACAAR has established water supplies in 55 villages during the six months project life, thereby providing clean water to 9,400 households or approximately 66,000 individuals.



According to a survey undertaken by DACAAR, some people have left their homes because of water shortages while others were planning to leave in search of water for themselves and their animals. DACAAR has provided water for the drought-affected villages from tankers, and from new tube wells and pipe schemes.



in Northern Afghanistan

In Kholum District of Balkh Province the majority of wells and streams often dry out, forcing the villagers to collect water from a great distance. Therefore, the new system of wells and pipe schemes will make a huge difference in everyday life. Mohammad Amin from Kholum Village explains: “Before we faced constant health problems caused by the dirty water. But with the new facilities water shortages will be a problem from the past – so of course we are very happy about this project; the provision of clean water will change our lives to the better”.



THE RURAL DEVELOPMENT PROGRAMME

In the continued efforts to improve livelihoods for rural communities, during 2006 DACAAR became increasingly involved in the flagship project of the Government of Afghanistan, the National Solidarity Program – an ambitious project aimed at linking local democracy and development activities.

Afghanistan remains primarily a subsistence agrarian society, reliant on what the rural population can extract from agriculture and animal husbandry. However, for most people in the countryside agricultural production is severely hampered by harsh conditions, such as drought, extreme poverty and security problems. To alleviate this situation, the creation of sustainable livelihoods among vulnerable rural communities has been high on DACAAR's agenda for the past decades – and will continue to be for years to come.

In line with the overall strategic goal of assisting rural communities, DACAAR's Rural Development Programme (RDP) is teaching improved farming methods, providing skills training and delivering

messages on the protection of natural resources. Furthermore, in 2006 DACAAR continued to prioritize the work of empowering communities; as a facilitating partner in the National Solidarity Program(NSP) as well as in other activities. Thus, increased efforts were made to bring communities together in democratically elected councils as well as promoting the formation of producer associations as a tool for increased market influence.

DACAAR's Rural Development Programme reached out to 148,343 households - or more than one million individuals, during 2006.

LINKING DEVELOPMENT AND LOCAL DEMOCRACY

Since 1999, DACAAR has worked with democratically elected 'Village Organizations' (VOs) alongside the female structure, 'Women's Groups' (MZs in Dari) to improve rural livelihoods, aiming at long term development interventions, such as facilitating producer associations. This experience, work setup and methodology have been used to influence the design of the government-led NSP, in which DACAAR is a facilitating partner.

The NSP is aimed at improving livelihoods by promoting community level governance. By facilitating the elections of Community Development Councils (CDCs) and the production of Community Development Plans, DACAAR is enabling rural communities to take full responsibility for the implementation of projects funded by the programme and prioritized by the communities themselves. Proposals are submitted to the local government, which subse-

quently releases block grants for the projects. Most CDCs cooperating with DACAAR have chosen to improve the local infrastructure, constructing roads or irrigation systems, while others have funded vocational training, literacy courses or the local provision of electricity.



NSP activities during 2006

- 396 new communities from five provinces were added to DACAAR's NSP operation in 2006.
- A total of 873 CDCs were operational, consisting of 818 female and 873 male subcommittees.
- 567 NSP project activities were finalized and 716 projects are on going.
- 4,650 female CDC members and 6,236 male CDC members received training from DACAAR.

DACAAR's long term strategy of empowering Afghan women has continued in both the CDCs and the corresponding VOs/MZs. Female subcommittees have been elected alongside the male subcommittees – and the second development project to be implemented has to target women's needs specifically and be chosen by women. Tailoring and literacy courses are among the popular projects.

DACAAR assists the village councils (both CDCs and VOs/MZs) in holding monthly meetings, in which social organizers based in the local communities are present to give advice to ensure, inter alia, that decisions consider the views of both women and men.

Inclusiveness is a key priority in the overall DACAAR strategy. Thus DACAAR trainers encourage the participation of all households in these monthly meetings to ensure maximum transparency and sustainability. Another important role of DACAAR is to provide training to key members from the councils on accountancy, procurement procedures, bylaws, and management skills.



The Birak Village CDC chose a new irrigation system

In Birak Village of Herat Province, schools, health clinics and safe drinking water are unavailable, and in recent years a serious drought has forced many villagers to leave the area. However, inclusion in the National Solidarity Program has brought new hope to Birak. Sofi Muhammad, a village representative, explains the procedures for the new council: "First we selected subcommittees for men and women respectively, and then we started planning and prioritizing development projects. After discussions among the CDC members, we chose to reconstruct our village *kariz* with concrete rings as our first project".

Following guidance from DACAAR the proposal was submitted to the Ministry of Rehabilitation and Rural

Development (MRRD), who approved the project and released the AFN 150,000 required for a new water storage system. The impact was significant. "Before we could only irrigate one *jerib* of land a day, but with the new *kariz* we can irrigate ten *jeribs* every day", Sofi Muhammad explained.

A kariz is a traditional water management system used to provide a reliable supply of water to human settlements or for irrigation in hot, arid and semi-arid climates. It consists of a series of well-like vertical shafts, connected by gently sloping tunnels.

One jerib equals 1,954 square meters.

Future of the NSP

The NSP, entrusted to the MRRD, is still considered to be the leading programme to link reconstruction with the introduction of local democracy and good governance by the Afghan government and the major donor agencies. In 2007, DACAAR plans to expand to new communities in existing NSP areas as well as introducing NSP in a number of new districts.

However, during 2006 it became clear that funding of the expansion and further development of NSP could face obstacles. A continued, long term effort to democratize the development of rural Afghanistan relies on stable disbursements of funds from the Afghan government and the international community.

INTRODUCING NEW SKILLS AND METHODS

Alongside the NSP, DACAAR's Rural Development Programme is implementing a number of long-term development projects, together with local communities, in order to improve rural livelihoods. Activities include the formation of associations to promote agricultural products, natural resource management, agricultural extension services and the establishment of Women's Resource Centres (WRCs).

Women's Resource Centres

DACAAR established two new WRCs in 2006 in addition to the existing two Centres, each clustering women from at least five different communities. The Resource Centres have created a much appreciated free space for the women in isolated villages to meet without their male relatives being present. Men are not allowed to enter, and a small membership fee is obligatory. Here women can develop their own, new ideas – and to promote business opportunities, they are offered basic training on how to manage small businesses, such as tailoring shops or beauty parlours. Opening shops with women's products has been met with particular interest among the WRC members.

DACAAR trains female shopkeepers

“Before, there were no shops to buy specific products for female use. For instance, we had to ask our husbands to buy women's clothes in the town centre - and he would either buy the wrong size or he would be too shy to buy it at all”.

A woman from Laghman Province



To secure the economic sustainability of the Women's Resource Centres, business plans have been prepared. The aim is to develop the centres into small, self sustaining units that within a few years can survive without the financial backing of DACAAR.

Rural extension services

Rural extension covers a series of services and training sessions designed to reach out to everyone living within the project area with a special focus on the most vulnerable groups, such as those without livestock or access to arable land. For the beneficiaries participating in specific farming training courses, a higher employment rate could already be observed during 2006.

Besides training in animal husbandry and agriculture, in 2006 DACAAR engaged in ‘off-farm’ vocational training. A series of practical workshops, typically lasting three months, were carried out, focusing on providing skills such as carpentry, welding and the repairing of tractors. The training sessions proved very popular among participating villagers.

Since the Taleban years, DACAAR has been involved in extension services on health issues for rural women and are at present implementing health activities in seven districts. The teaching of village women is scheduled as a monthly event, focusing on three aspects of traditionally female responsibilities:

- *Hygiene*: introducing better hygiene practices and improving general sanitation knowledge
- *Safe motherhood*: teaching pregnant women the significance of correct diet during pregnancy
- *Immunization*: increasing awareness that the vaccination of mother and child for particular diseases increases the chances of the child surviving the first years of life.

SAFFRON - A MAJOR PUSH FORWARD

An increasingly important project is DACAAR’s involvement in the production and marketing of saffron. Well renowned as the world’s most exclusive spice, saffron has the potential to replace some of the income generated through illegal opium cultivation. DACAAR has for some years been training saffron farmers in Herat Province in Western Afghanistan and is now implementing a project entitled ‘Research in Alternative Livelihoods Fund’ (RALF), funded by

Research

The RDP has for the past two years been involved in a scientific research project, ‘Water, Opium, Livestock’ (WOL) to acquire proper knowledge on rural development conditions. The project is examining the major components of Afghan rural life to provide information on the income situation in rural communities. Research is implemented through quarterly repeated interviews of 100 households in the East and West of Afghanistan and will continue for another year. To DACAAR, identification of different income sources in rural Afghanistan will provide valuable information for the fine tuning of the strategy to improve livelihoods.



Department For International Development (DFID).

In 2006, DACAAR cooperated with four saffron grower associations; and with assistance from Washington State University (a RALF project partner) managed to create a link to international saffron traders. Approximately 250 farmers are currently growing saffron with DACAAR’s guidance.

Saffron facts

In 2006 saffron farmers were offered around USD 450 per kilo by local dealers in Herat. However, if the quality is right, the price of saffron on the world market can be as high as USD 1,000-5,000 per kilo. To fetch these prices, a quality control system will be established aimed at meeting international standards regarding purity and taste.

Saffron's potential as a high value cash crop was discussed at a three day conference in Herat in mid-November organized by DACAAR, with participation from the International Centre for Agricultural Research in Dry Areas (ICARDA) and the Ministry of Agriculture, Irrigation and Livestock (MAIL). More than 100 stakeholders, among them saffron farmers, agricultural advisors, ministry officials and private sector representatives, participated in the conference and fieldtrips. One very important outcome was the drafting of a national strategy on saffron, which includes the establishment of a saffron coordination team led by the MAIL. A major task for the new coordination team will be to introduce new improved techniques for growing and processing saffron.

Results from the saffron activities have so far been satisfactory. New cultivation methods still have to stand the test of time, but the prospect of achieving new income opportunities for Afghan farmers seems promising – and for the farmers already growing saffron,

the valuable red stigma have already led to substantial livelihood improvements. Initial experiences suggest that an acre of saffron generates about five times the income compared to wheat, making saffron one of the few legal crops that can compete on income with poppy cultivation.

Women in the saffron business

“At the moment the men are helping us to sow and grow the saffron, whereas we are picking the flowers, drying them and processing them. Now, however, we want to learn to do the whole process: the planting of the seeds in the ground, irrigation, tending, harvesting; we want to learn the whole process. Our purpose is to produce clean and high quality saffron”.

A member of a female saffron association in Herat Province



THE MICROFINANCE PROGRAMME

With its rapid expansion and relatively low operating expenses, MADRAC, is recognized as one of the most promising microfinance institutions in Afghanistan. A long planned separation from DACAAR will take place during 2007.

In its second year of life DACAAR's microfinance institution, MADRAC (Microfinance Agency for Development and Rehabilitation of Afghan Communities), continued to grow at an impressive rate, opening four new branch offices and reaching out to thousands of new clients. MADRAC has almost fully met its target indicators for 2006, regarding growth and outreach set by the donor, the Microfinance Investment Support Facility for Afghanistan (MISFA).

MISFA is Afghanistan's central microfinance institution, supported by the Afghan government and international donors, including the World Bank, the UK Department for International Development (DFID), US Agency for International Development (USAID) and Danish International Development Assistance (DANIDA). All the funds disbursed by MADRAC come from MISFA.

The overall aim of MADRAC is to uplift the livelihoods of low income households through improved access to financial services. Target clients are households below the poverty line, women, landless labourers, migrant labourers and shopkeepers in rural areas. MADRAC is using solidarity group lending methodology to deliver microfinance services. Thus, groups of 10 to 20 members are formed to benefit from the savings or loan products offered by MADRAC.



A loan client and a loan officer

Outreach of MADRAC's Operation in 2005 and 2006

	Unit	Achievement 2005	Achievement 2006
Branch offices	No	2	6
Active savings clients	No	1,322	6,922
Active loan clients	No	158	5,400
Savings mobilization	USD	873	18,297
Average savings balance per client	USD	0.67	2.65
Total loan disbursement	USD	15,800	1,499,500
Outstanding loan balance	USD	14,850	830,335
Average loan size	USD	94	154
Portfolio per loan officer	USD	1,856	25,161
Repayment rate	Percent	100.00	99.97

The loan and savings' clients are organized into 528 groups of women and men; about half of them are women's groups. Women also accounted for 46 percent of the savings administered by MADRAC.

In 2006 MADRAC was operational in the provinces of Herat, Ghazni and Laghman and plans to expand activities into Kapisa and Logar provinces during

2007. The aim is to reach 12,000 clients by July 2007.

While the overall achievements have been satisfactory, the volatile security has at times forced MACRAC to suspend operations in certain areas. Furthermore, difficulties in recruiting female loan officers have had a negative effect on operations.

The product

Group General Loan (GGL) remained the core loan product of MADRAC in 2006. However, a few changes were made to make GGL more compliant with client needs. Most importantly, the loan size was increased from USD 100 to USD 150 in the first cycle, and from USD 150 to USD 300 in the second cycle, which follows after six and twelve months respectively. A MADRAC loan officer is present at every meeting of the loan group to make sure that the principles are well understood and to give advice on usage of the financial services.



In Karahoo Village in Laghman Province a 17 member loan group is having its second meeting, where the official loan documents are signed using finger prints. Many group members are traders, who will use the money to stock vegetables and livestock to be sold in bigger cities. Others will buy tea, sugar and oil for their small grocery shops in the village.

NEW LOAN PRODUCTS

MADRAC occasionally faces problems in rural communities when local religious leaders refuse to accept the rationale behind the 20 percent administrative fee; a critique based on the injunctions of the Sharia Law against interest bearing loans. Therefore, MADRAC decided to introduce alternative microfinance systems based on Islamic banking, known as *Murabaha*. Consequently, a pilot project involving 600 clients was initiated in 2006, and when the results are clear, Islamic banking will be offered to other areas as well. The general idea of *Murabaha* is to provide assets – such as a cow – instead of cash.

Two other new loan products, Group Enterprise Loans and Association Loans, will soon be introduced by MADRAC based on market surveys and client needs, and will be tested in relevant areas. Group Enterprise Loans are meant to offer bigger loan sizes, while Association Loans will be offering a longer grace period prior to repayment for remote, vulnerable communities, where other microfinance products are not feasible.

SEPARATING FROM DACAAR

Right from its inception, MADRAC was meant to develop into an independent Afghan microfinance institution. Therefore, following the conditions specified in the contract with MISFA, in 2006 MADRAC began the procedures to separate from DACAAR. The drafting of a new business plan and registering with the Government of Afghanistan began during 2006 and, MADRAC will be an independent microfinance institution in the first half of 2007. According to the business plan, full operational self sufficiency, which implies covering of all operating costs from the generated income, should be achieved in 2009.

As an independent microfinance institution, MADRAC faces many challenges for the immediate future. Dealing with substantial amounts of cash, security will always be a major concern. However, MADRAC expects to continue the expansion to not only rural areas, but is also considering offering its financial services to urban and semi-urban areas. Following a growth strategy to reach out to as many

clients as possible, MADRAC will have to diversify the savings and loan products to meet client needs. Finally, while continuing the excellent cooperation with MISFA, MADRAC will consider the options for additional funding partners in the future.



Explaining microfinance principles

A blind man can still do business

The scars from 30 years of continuous war in Afghanistan are still evident throughout the country. Bombs and landmines claimed thousands of lives and injured many more. Many lost arms or legs, thereby severely damaging the victim's chances of sustaining their own livelihoods. Today, these disabled people live miserable lives in Afghanistan's bigger cities, often begging for food or money.

For the 45 year old Mullah Subhan, who lost his eyes in an explosion, life is not easy. Despite being blind he still has to provide for his family, consisting of his wife and five children. After being approved for a micro finance loan, Mullah Subhan received 7,500 AFN (150 dollars), which he invested in a stock of vegetables and a donkey to carry his mobile shop. Together with his son, he now sells vegetables in the area around his village in Pashtun Zarghun, near Herat City.

"I am very satisfied with this programme, because it gives me the chance to have my own business. I have made good profits, which have enabled me to repay the first two instalments as required", Mullah Subhan said.



PUBLIC INFORMATION

In striving to be an open and transparent organization, the sharing of information has always been an important objective for DACAAR. In 2006, DACAAR's Public Information Unit introduced two newsletters, produced a saffron documentary and provided donor visibility to specific projects.

2006 was a busy year for DACAAR's Public Information Unit (PIU). The previous DACAAR newsletter was replaced by a monthly internal newsletter alongside a quarterly external newsletter, providing information about DACAAR activities. Additionally, press releases were sent out to stakeholders and media on a regular basis, often leading to requests from local and international media. The current policy of issuing almost all publications in Dari and Pashto as well as English has added to the interest from Afghan journalists.

At the heart of DACAAR's information efforts is the DACAAR website. Press releases and newsletters are constantly uploaded together with training manuals and other reports, elaborating on the impact of project implementations.

Being visible

An increasingly important task for the PIU is the arranging of visibility of development projects. The aim is to create awareness among recipients and to promote specific projects among the Afghan population and stakeholders in Afghanistan as well as in the donor countries. The methods applied vary from press releases, radio programmes, articles for DACAAR publications to arranging field visits for journalists from Afghanistan and abroad.

Facts about the PIU

All graphical design in DACAAR publications - posters, newsletters, reports - are provided by the PIU. Printing is done in Kabul, using the capitals growing number of printing facilities.



Clearly, the most ambitious visibility project in 2006 was the production of 'The Red Gold of Afghanistan'; an introduction to DACAAR's promotion of saffron production in western Afghanistan. The documentary was first shown to participants at the saffron conference in Herat, arranged by DACAAR. Later the saffron DVD was distributed to the media, leading to several articles in Afghan newspapers and broadcasting on Afghan national TV together with interviews of DACAAR staff involved in the saffron project.

Plans for 2007 include a photo exhibition, displaying an emergency water project in Faryab Province; journalist visits to a number of DACAAR projects; continued nurturing of Afghan and international journalists; and, finally, a more active approach to Danish media, hopefully broadening public interest about DACAAR and Afghanistan.

USE OF FUNDS

In 2006, DACAAR received continued support from donors and the Afghan government, making it possible to implement a large number of projects throughout the country.

With funding from six main donors and project based funds from other donors, DACAAR was able to work on 33 projects during 2006.

While continuing to prepare a shift from emergency activities to long term development activities, DACAAR's Water and Sanitation Programme (WSP) still implemented the majority of projects with emergency funding; a clear indication that the rural population continues to suffer from severe vulnerabilities caused by insufficient access to basic of facilities.

For the Rural Development Programme (RDP), 2006 was characterized by funding coming from a wide range of donors. The National Solidarity Program (NSP) funding during the year comprised about one third of total DACAAR funds, making NSP DACAAR's biggest donor.

DACAAR's microfinance institution, MADRAC, experienced rapid growth, both in regards to the num-

ber of loan clients and the total loan disbursements. MADRAC continues to receive all its financial backing from MISFA, Afghanistan's central microfinance institution.

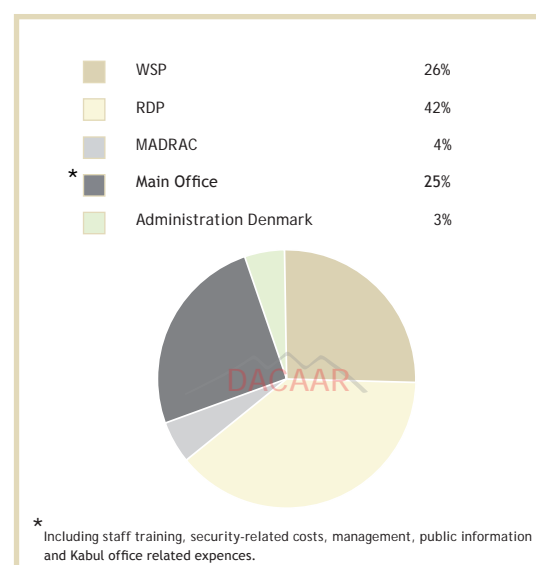
DACAAR strongly supports the strategy of the Afghan government having responsibility for allocating a substantial proportion of the funding available for development projects. Despite delays in disbursements of grants and sometimes complicated procedures, transferring responsibility of development funds to the respective ministries remains the only way to restore the credibility of the Government of Afghanistan.

To DACAAR, maintaining support from a wide variety of different donors has always been the key to secure long term involvement in the reconstruction of Afghanistan. Consequently, in order to avoid dependence on a few major donors, in the future DACAAR will continue to seek to expand the number of funding partners.

Expenditure by donor

Donor	2004 USD 1,000	2005 USD 1,000	2006 USD 1,000
NSP	428	1,122	3,228
DANIDA	3,189	3,141	3,141
EC	4,110	553	1,662
MRRD	1,014	1,396	705
MISFA	50	224	441
ICCO	0	225	378
RALF	7	90	274
ECHO	630	1,004	266
JHU	0	80	134
AREU	0	18	87
UNIDO	0	46	74
UNICEF	160	48	30
FAO	1	12	8
WFP	33	20	2
UNHCR	269	247	0
USGS	0	78	0
Total	9,891	8,304	10,430

Breakdown of expenditure



ABBREVIATIONS

AREU	Afghanistan Research and Evaluation Unit
CDC	Community Development Council
DACCAAR	Danish Committee for Aid to Afghan Refugees
DANIDA	Danish International Development Assistance
DFID	Department for International Development
EC	European Commission
ECHO	European Commission Humanitarian Aid Office
FAO	Food and Agriculture Organisation
GIS	Geographic Information System
GPS	Global Positioning System
HITeams	Hand pump Inspection Teams
ICARDA	International Center for Agricultural Research in Dry Areas
ICCO	Interchurch Organisation for Development Cooperation
JHU	Johns Hopkins University
KAP	Knowledge Attitude and Practice
MADRAC	Microfinance Agency for Development and Rehabilitation of Afghan Communities
MAIL	Ministry of Agriculture, Irrigation and Livestock
MISFA	Microfinance Investment Support Facility for Afghanistan
MRRD	Ministry of Rural Rehabilitation and Development
MZ	Majliz-e-Zanha (Dari for Women's Meeting / Women's Group)
NGO	Non-Governmental Organisation
NSP	National Solidarity Programme
PIU	Public Information Unit
RALF	Research in Alternative Livelihoods Fund
RDP	Rural Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development
USGS	United States Geological Survey
VO	Village Organisation
WFP	World Food Programme
WSG	Water and Sanitation Sector Group for Afghanistan
WSP	Water and Sanitation Programme
WOL	Water Opium Live stock
WRC	Women's Resource Centres

DACAAR Governing Board

DRC – Danish Refugee Council
MS – Danish Association for International Cooperation
DPA – Danish People’s Aid

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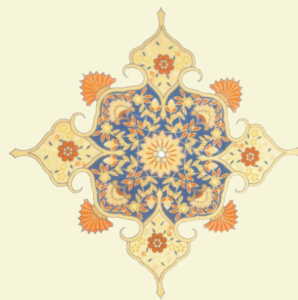
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