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IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-H0720 IDA-H1740 IDA-H2090 JPN-54367 MULT-53939)

ON A

GRANT

IN THE AMOUNT OF SDR 66.1 MILLION
(US\$95 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF AFGHANISTAN

FOR AN

EMERGENCY NATIONAL SOLIDARITY PROJECT

October 24, 2007

Sustainable Development Sector Unit
Afghanistan
South Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective 00000000)

Currency Unit =
Afg Rs 1.00 = US\$ 0.20
US\$ 1.00 = Afg Rs 50.00

FISCAL YEAR

ABBREVIATIONS AND ACRONYMS

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AFGHANISTAN
Emergency National Solidarity Project

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ACRONYMS

AFMIS	Afghanistan Financial Management Information System
ARTF	Afghanistan Reconstruction Trust Fund
CDC	Community Development Council
CDP	Community Development Plan
DAB	Da Afghanistan Bank (Central Bank)
DSCRW	District School Construction and Rehabilitation Window
ECEPWP	Emergency Community Empowerment and Public Works Project
ERR	Economic Rate of Return
FP	Facilitating Partner
JSDF	Japanese Social Development Fund
I-ANDS	Interim Afghanistan National Development Strategy
IDA	International Development Association
ISN	Interim Strategy Note
MIS	Management Information System
MoF	Ministry of Finance
MOU	Memorandum of Understanding
MRRD	Ministry of Reconstruction & Rural Development
NGO	Non Government Organization
NPV	Net Present Value
NRVA	National Risk and Vulnerability Assessment
NSP	National Solidarity Project
OC	Oversight Consultant
SDU	Special Disbursement Unit in MoF

A. Basic Information			
Country:	Afghanistan	Project Name:	Afghanistan: Emergency National Solidarity Project
Project ID:	P084329	L/C/TF Number(s):	IDA-H0720,IDA- H1740,IDA- H2090,JPN- 54367,MULT-53939
ICR Date:	02/21/2008	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	TISA
Original Total Commitment:	USD 95.0M	Disbursed Amount:	USD 166.3M
Environmental Category: C			
Implementing Agencies: Ministry of Rural Reconstruction & Development			
Cofinanciers and Other External Partners: JAPAN Netherlands SWITZERLAND Norway Denmark ARTF			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	09/30/2003	Effectiveness:	04/05/2004	04/05/2004
Appraisal:	11/20/2003	Restructuring(s):		
Approval:	12/23/2003	Mid-term Review:	03/15/2006	
		Closing:	03/31/2007	03/31/2007

C. Ratings Summary			
C.1 Performance Rating by ICR			
Outcomes:	Satisfactory		
Risk to Development Outcome:	Substantial		
Bank Performance:	Satisfactory		
Borrower Performance:	Satisfactory		
C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Satisfactory

Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance:	Satisfactory	Overall Borrower Performance:	Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Highly Satisfactory		

D. Sector and Theme Codes		
	Original	Actual
Sector Code (as % of total Bank financing)		
Irrigation and drainage	25	17
Micro- and SME finance	10	4
Primary education	25	7
Renewable energy	20	20
Rural Roads	-	27
Water supply	20	25
Theme Code (Primary/Secondary)		
Conflict prevention and post-conflict reconstruction	Secondary	Secondary
Gender	Secondary	Secondary
Participation and civic engagement	Primary	Primary
Rural services and infrastructure	Primary	Primary
Social risk mitigation	Secondary	Secondary

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Praful C. Patel	Mieko Nishimizu
Country Director:	Alastair J. McKechnie	Alastair J. McKechnie
Sector Manager:	Adolfo Brizzi	Gajanand Pathmanathan
Project Team Leader:	Susanne Holste	Asger Christensen
ICR Team Leader:	Asger Christensen	
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F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

The objectives of the project are (i) to lay the foundations for a strengthening of community level governance, and (ii) to support community-managed sub-projects comprising reconstruction and development that improve access of rural communities to social and productive infrastructure and services. The outcomes will be (i) the establishment of a framework for village level consultative decision making and representative local leadership as a basis for interaction within and between communities on the one hand, and with the administration and aid agencies on the other, and (ii) local level reconstruction, development, and capacity building which will lead to a decrease in poverty levels.

Revised Project Development Objectives (as approved by original approving authority)

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Number of Community Development Councils (CDCs) elected.			
Value quantitative or Qualitative)	6,181 (Baseline is output achieved by the ECEPWP by Dec. 31 2004)	8,334 (ie 80% of total number of target villages, which is 10,417).		16,502
Date achieved	12/31/2004	03/31/2007		03/31/2007
Comments (incl. % achievement)	Within the project period from 01/01/2005 till 03/31/2007, 10,321 CDCs were elected representing 124% achievement of the target of 8,334 for the period			
Indicator 2 :	Number of villages with community development plans.			
Value quantitative or Qualitative)	6,181 (Baseline is output achieved by the ECEPWP by Dec. 31 2004)	8,000		16,263
Date achieved	12/31/2004	03/31/2007		03/31/2007
Comments (incl. % achievement)	Within the project period from 01/01/2005 till 03/31/2007, 10,082 CDPs were developed representing a 126% achievement of the target of 8,000 for the period.			
Indicator 3 :	Percentage of women who participate in CDC elections.			
Value quantitative or Qualitative)	>90% (Baseline is output achieved by the ECEPWP by Dec. 31 2004)	40%		>50%
Date achieved	12/31/2004	03/31/2007		03/31/2007

Comments (incl. % achievement)	Despite the rigid gender segregation in rural Afghanistan, participation of women in CDC election is often above 40%, and on average, 35% of the CDC reps are female. A key constraint was the difficulty in recruiting local female staff for the FPs.			
Indicator 4 :	Percentage of communities contributing 10% of sub-project costs.			
Value quantitative or Qualitative)	>90%(Baseline is output achieved by the ECEPWP by Dec. 31 2004)	90%		100%
Date achieved	12/31/2004	03/31/2007		03/31/2007
Comments (incl. % achievement)	The average community contribution is assessed to be 14.5% equivalent to US\$32 million.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Number of villages with completed sub-projects (with certificate of completion)			
Value (quantitative or Qualitative)	53(Baseline is output achieved by the ECEPWP by Dec. 31 2004)	4,167 (ie 50% of number of villages where CDCs are elected).		10,410
Date achieved	12/31/2004	03/31/2007		03/31/2007
Comments (incl. % achievement)	Within the project period from 01/01/2005 till 03/31/2007, the achievement is 10,357 which is 250% above target of 4,167 for the period.			
Indicator 2 :	Number of families benefited (ie. in villages that have received at least part of their block grants).			
Value (quantitative or Qualitative)	496,833 (Baseline is output achieved by the ECEPWP by Dec. 31 2004)	1,260,000		2,216,917
Date achieved	12/31/2004	03/31/2007		03/31/2007
Comments (incl. % achievement)	Within the project period from 01/01/2005 till 03/31/2007, the achievement is 1,720,084 beneficiary families, which is 138% above target of 1.25 million families for the period.			

G. Ratings of Project Performance in ISRs

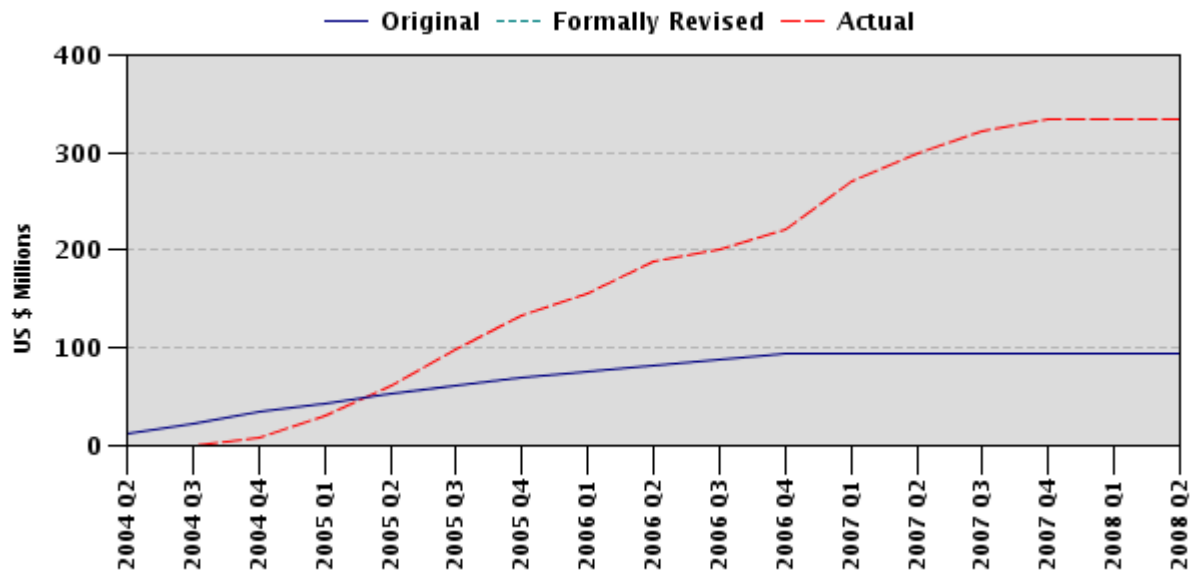
No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	06/22/2004	Satisfactory	Satisfactory	8.22
2	10/06/2004	Satisfactory	Satisfactory	36.50
3	05/07/2005	Satisfactory	Satisfactory	78.98
4	12/19/2005	Satisfactory	Highly Satisfactory	125.39

5	06/05/2006	Satisfactory	Highly Satisfactory	125.39
6	12/18/2006	Highly Satisfactory	Highly Satisfactory	162.12

H. Restructuring (if any)

Not Applicable

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

Even before Afghanistan became engulfed in conflict following the Communist coup in April 1978, it was one of the least developed countries in the world. By late 2001, when the World Bank re-engaged in Afghanistan, more than two decades of conflict and political instability had resulted in severely damaged infrastructure, a degraded natural resource base, weakened public institutions, and fragmented political authority. A severe drought lasting from 1999 till 2002 had further increased rural poverty and depleted assets. Both the conflict and the drought had resulted in massive population displacements and disruption of livelihoods.

The objectives of the Emergency National Solidarity Project (NSP) reflected priorities identified by the Transitional Islamic State of Afghanistan (now the Islamic Republic of Afghanistan) in its National Programme for Reconstruction and in IDA's Transitional Support Strategy (TSS) updated in March 2003. The Government's strategy featured community development as a centerpiece. The project would support one of the six national priority sub-programs – the National Solidarity Program – under one of the 12 National Development Programs: Livelihoods and Social Protection. The goal of the NSP was to reduce poverty through empowering communities with regard to improved governance, and social, human, and economic capital. A significant rationale for launching the NSP was the assessment by the government, that its legitimacy in the rural areas would in no small measure depend on its ability to deliver long awaited assistance to rural communities across the country and to involve them in participatory governance of the use of this assistance. The key objectives in IDA's TSS were to assist the authorities establish capacity in areas essential to facilitate the reconstruction program, to support high-priority reconstruction activities that could also help jumpstart economic activity, and to continue to build IDA's knowledge base to allow for developing a well-designed program of future assistance.

Because of its experience with Community Driven Development (CDD) programs in other post-conflict countries and elsewhere, the Bank was well positioned to support a large scale CDD program in Afghanistan. While there were already a number of small-scale CDD projects implemented by NGOs and supported by bilateral funding, the support for the NSP through the project would vastly expand the scale of CDD activities. In addition, the NSP would build on and strengthen the operational partnership between NGOs and the Government that was started for the first time in Afghanistan under the NSP component of the preceding Emergency Community Empowerment and Public Works Project (ECEPWP, P077533). This partnership would enable the Government to further develop its national CDD program framework (the NSP), while drawing on the strength and experience of the NGOs for implementation. In addition, the program would introduce and build capacity to execute a key feature of successful large scale CDD projects which involve local level planning processes within public sector management systems, namely tight supervision of financial management, disbursement, and technical standards.

1.2 Original Project Development Objectives (PDO) and Key Indicators

The objectives of the project were (i) to lay the foundations for a strengthening of community level governance, and (ii) to support community-managed sub-projects comprising reconstruction and development that improve access of rural communities to social and productive infrastructure

and services. The outcomes would be (i) the establishment of a framework for village level consultative decision making and representative local leadership as a basis for interaction within and between communities on the one hand, and with the administration and aid agencies on the other, and (ii) local level reconstruction, development, and capacity building which would lead to a decrease in poverty levels.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

Not applicable.

1.4 Main Beneficiaries,

The primary project beneficiaries were villagers including the poor and disabled, who through an inclusive participatory planning process would select sub-projects that addressed their needs for local reconstruction and development. Empowerment through participatory planning and local reconstruction and development leading to improved livelihoods and access to services would benefit both men and women. Secondary beneficiaries, who would derive enhanced capacity from their involvement in the project, include (a) the implementing Ministry of Rural Rehabilitation and Development (MRRD) and (b) the Facilitating Partner agencies providing implementation assistance.

1.5 Original Components

Part A: Block Grants for communities to carry out sub-projects involving reconstruction and development activities through a facilitated participatory planning process. These activities would focus on, among other things, community infrastructure, development of human capital, savings and credit schemes for women and disabled, and asset transfers for women and disabled.

Part B: Community Facilitation and Sub-Project Preparation to support local communities through: (i) facilitation exercises to establish inclusive community institutions, and identify local development needs and priorities; (ii) assistance for preparing sub-project proposals; (iii) assistance in carrying out sub-projects for which block grants have been made available, and capacity building for members of local communities.

Part C: Capacity Building and Implementation Support comprising provision of consultants' services for capacity building in, implementation support to, and incremental operating costs for the MRRD. These services would strengthen local communities' capacity in financial management, procurement, and technical skills. The project would also augment MRRD's human and physical capacity to supervise and implement the project.

Part D: External Monitoring and Evaluation comprising external monitoring, evaluation and studies to verify implementation status, assess achievement of project objectives/outcomes, and undertake research on specific issues related to program policy or implementation.

1.6 Revised Components

Not applicable.

1.7 Other significant changes

Not applicable.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

The Emergency National Solidarity Project (NSP) constituted a continuation of the community empowerment component under the preceding ECEPWP, which became effective in April 2002. The NSP was an emergency operation prepared over three months in late 2003 under OP 8.50 for Emergency Recovery Assistance, and no QAG assessment of Quality at Entry was conducted. No prior analytical work was undertaken. Instead, the country knowledge of key figures in MRRD, of representatives of the agencies (Afghan and international NGOs plus UN-Habitat) short-listed for the role as Facilitating Partners, and of the Task Team was brought to bear on the design of the overall approach through a series of consultations and workshops in early 2003. The resulting NSP Operations Manual, which guided implementation from mid 2003 of the community empowerment component under the ECEPWP, in turn formed the basis for the Technical Annex for the Emergency National Solidarity Project (November 26, 2003). Based on field implementation experience, the Operations Manual was revised in December 2003, and December 2004. The latest revision was in January 2006.

The objectives of the Emergency National Solidarity Project responded to a country context that urgently required (i) a strengthening of local level governance with emphasis on inclusive participation of villagers in the planning and execution of project activities to foster alternatives to the “warlordism” that had come to characterize local leadership, and (ii) activities that would build confidence by demonstrating to the population in the rural areas, that the new government was capable of delivering a “peace dividend” by addressing the massive needs for rehabilitation and development assistance in the country’s villages after 25 years of conflict.

The project components, institutional arrangements, and approach supported the objectives. The overall project design was simple, yet innovative in the context of Afghanistan where no line ministry had previously been involved in implementation of a CDD project, and where capacity across all ministries had declined during the long period of conflict. The limited capacity of MRRD was addressed through institutional arrangements that featured (a) a project management consultant (the Oversight Consultant) recruited through ICB to support MRRD with regard to project management, disbursement of block grants to communities, monitoring, and capacity building for MRRD and Facilitating Partner staff, and (b) Facilitating Partners (initially 21) engaged through performance based contracts to assist with the social mobilization, sub-project preparation and implementation, and capacity building for communities in target Districts across Afghanistan. An indicator of the basic soundness of this project design in relation to the extremely challenging implementation conditions that prevailed and continues to prevail in Afghanistan is, that the community empowerment component under the ECEPWP by the end of the first year of implementation had exceeded the target of elected Community Development Councils (CDCs) with 18%.

Commitment from the Government has been consistently high from MRRD, but less so from MoF. The involvement by MRRD of Facilitating Partners in initial consultations regarding the project approach established a shared vision and commitment to the NSP. An indication of the commitment by the Facilitating Partners is that they have continued operating in a highly difficult

environment, and have on occasion done so even when contractual payments to cover their operating costs were significantly delayed.

Co-financing of US\$47.2 million for the community empowerment component (NSP) had been provided by the multi-donor Afghanistan Reconstruction Trust Fund (ARTF), Japan, and Denmark under the ECEPWP. Under the Emergency National Solidarity Project, additional co-financing of more than US\$ 214 million was contributed from ARTF, Japan, Denmark, Norway, Netherlands, and Switzerland.

The assessment of risks deemed these to be substantial in a context characterized by limited government authority in the rural areas, warlord rivalry and Taliban resurgence in some areas, a factional mode of politics and clientism at the village and supra-village levels posing risks of elite capture of benefits, and low paid government officials who sometimes received salaries on an irregular basis. Mitigation of deteriorating security conditions preventing operations in specific areas would, if feasible, involve shifting operations to other districts within the same province. The risk of elite capture of benefits would be mitigated by external facilitation of the establishment of Community Development Councils (CDCs) through secret ballot, a participatory sub-project planning process, a focus on public rather than private goods, and transparency in budgeting and the use of block grants by communities. The risk of corruption would be mitigated by financial management arrangements where MRRD, Facilitating Partners, and Oversight Consultant staff would not handle cash.

2.2 Implementation

Factors outside the control of government:

High security risks in some rural areas, and particularly in the Eastern and Southern parts of the country, have influenced the outreach and coverage of the project. These risks have increased substantially over the project period. Since the start of activities there have been frequent threats to and attacks on Facilitating Partner field offices, and staff has lost their lives to attacks by Government opponents. Between March and August of 2006, increasing security risks forced 11 Facilitating Partners to suspend operations in 42 Districts, and suspensions have lasted for more than 3 months in 8 Districts. While this has to some extent been mitigated by shifting operations to other districts within the same province, the outreach of NSP to about two thirds of Afghanistan's villages is beginning to pose a constraint to this option, since many of the remaining Districts are those with high security risks. While there is a demand from villagers in high risk areas for assistance through NSP, both they and implementation staff are at risk from retribution by the insurgency, and an effective strategy that maintains the core principles of the program has not been developed for such situations.

Lack of engineering capacity has constituted an ongoing problem at the level of MRRD and the program Oversight Consultant both with regard to timely appraisal of submitted sub-project proposals (less so in the later stages of the project period) and monitoring of sub-project engineering quality, and at the level of the Facilitating Partners with regard to support to the CDCs for development of technically sound sub-project proposals (supported by a Technical Manual from early 2005) and also with regard to support for construction supervision. The limited national supply of engineering capacity continues to impose restrictions on the recruitment of qualified engineers (e.g. high demand for skilled engineers from better paying international agencies and contractors working on large infrastructure projects have resulted in high turn-over of engineers and recruitment constraints).

Financing shortfalls for NSP caused by (a) inadequate fund mobilization from donors through the Bank, ARTF, and bilaterally (thus between February 1st and March 31st, 2007, block grant disbursements only took place on February 14th and 15th due to funding shortfalls), (b) delays in release by donors of funds pledged to ARTF, (c) ARTF funds allocated through donor preference are only transferred to such projects after the financing of the recurrent budget is assured, and funds that were allocated for NSP through donor preference have been delayed until the recurrent budget was fully funded resulting in temporary shortfalls of available funds for NSP, and (d) ARTF currently requires a recurrent budget cushion of US\$70 million to be maintained, and until that amount is exceeded, funds can not be transferred to specific projects or programs.

Delays in funding availability has also been caused by different donor procedures for making pledges, signing agreements with ARTF, and the payment schedules governing subsequent transfer of funds to ARTF.

Delays in fund transfers of up to four months of ARTF funding from the Bank to the NSP Block Grant account in the Da Afghanistan Bank (DAB - the Central Bank of Afghanistan).

Factors subject to government control:

Development of annual NSP budgets that were realistic in relation to NSP program needs and planning, but which went beyond what was committed by donors at the time when budgets were passed by Government, have been met with reluctance by Ministry of Finance (MoF). This has been coupled with reluctance by MoF to later revise budgets to incorporate subsequent additional donor funding (the timing of which may reflect financial procedures in donor countries). Thus, increases in NSP budgets by MoF's mid-year reviews faced difficulties in both 2005 and 2006.

Delays in cash transfers from DAB in Kabul to provincial DAB branches. This bottleneck was overcome with an MOU between DAB and MRRD from February 2006. Fund transfers now take place within 7-14 days, and DAB branches with computerized systems are established in all 34 provinces.

Coordination: A CDC By-Law was signed by the President in January 2007, requiring government agencies, NGOs, and other aid and development programs targeting the village level to use the CDCs as the entry point. The CDC By-Law had been endorsed by the inter-ministerial NSP Steering Committee headed by a vice-president. However, no actions have subsequently been taken by the Steering Committee to promote effective coordination of either Government or bilateral programs that could use the CDCs as the entry point for provision of assistance or as channels of information to villagers, and which would strengthen the likelihood that the CDCs become sustainable local development institutions.

Factors subject to implementing agency control:

Strong commitment and action from MRRD has enabled the project to scale up substantially and exceed the targets for social mobilization of communities, election of CDCs, sub-project preparation and appraisal, and initiation of block grant funding for approved sub-projects. This has in turn convinced other donors beside IDA to provide the cofinancing that has underwritten the expansion of project activities.

Mobilization of donor funding based on regularly updated NSP budget forecasts has not been pursued consistently to enable the project to meet its targets and commitments.

Consolidation versus expansion has been an ongoing issue in the planning and funding of NSP activities. High expectations and demands from un-served communities together with the perceived need by the Government to demonstrate its ability to deliver have put significant pressure on expansion of NSP. However, in a situation of uncertain funding and recurring funding shortfalls, the emphasis on expansion may put the credibility of NSP at risk in areas already reached, if commitments made are not met. There have been situations, where available funds have been used to pursue expansion of outreach and coverage into new communities rather than to finance commitments for 2nd and 3rd installments for CDCs with ongoing sub-projects. Delays in transfer of 2nd and 3rd block grant installments to CDCs (in some cases up to a year) caused by this and other factors have sometimes resulted in deterioration of initiated civil works.

Coordination among projects/programs managed by MRRD (National Emergency Employment Program for Rural Access and the National Area Based Program) to ensure that they use the CDCs as the entry point has not been effectively pursued.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

The regular reporting on the project status by MRRD in its weekly, monthly, and quarterly reports has improved over the project period and is satisfactory both with regard to the quality of data and identification of issues.

However, the NSP Management Information System (MIS) was not yet fully functional at the end of the project period, and although it was included as a task in the contract of the Oversight Consultant, there has been insufficient technical assistance provided for this activity. Thus, critical types of information such as community baseline data, profiles on CDC composition, engineering quality of sub-projects, and the status of O&M arrangements have not been systematically recorded by the MIS, which is also not set up to manage queries on these issues. The consequence has been, that the MIS has not been an effective tool to provide inputs for an assessment of the achievement of the project outcomes regarding inclusive governance and poverty reduction, or the envisaged comparison between NSP poverty reduction data and information generated by the Bank supported National Risk and Vulnerability Assessment (NRVA). At the same time, periodic free-standing assessments of critical issues such as the engineering quality of sub-projects and O&M arrangements, periodic sample audits of CDC financial management, sustainability of livelihood sub-projects, and the functioning and representativeness of CDCs have not been conducted.

The tool of independent external evaluations has only been used sparingly, and comprises an *Assessment of NSP Facilitating Partners* from August 2004, and a *Mid-term Evaluation of the National Solidarity Program* from May 2006. However, a number of un-commissioned independent assessments have been undertaken by the Afghanistan Research & Evaluation Unit, Facilitating Partners, and others. It does not appear that the findings of these assessments have been systematically used to inform discussions of the project approach or implementation arrangements. Topics that could have merited focused external assessments to inform the project approach include (a) the results and sustainability of livelihood sub-projects that mainly targets women, (b) the efficacy and composition of the largely small scale contracting industry involved in some of the sub-projects, (c) CDC composition, inclusiveness, decision-making, and communication with the community at large, and (d) the poverty impacts of NSP.

In mid 2004, a participatory district governance pilot - the District School Construction and Rehabilitation Window (DSCRW) - was initiated in six districts to test the feasibility of linking CDCs with the lowest level of state administration in joint planning exercises with a defined

budget, accessible on the condition that minimum 70% of the CDCs participated and a majority endorsed the plan arrived at with the district administration. Initial field visits indicated that with skilled facilitation the approach did work and might even have a potential beyond the education sector. While school construction with CDCs involvement in planning at the district level continued beyond the initial districts, the scheduled evaluation of the pilot was only conducted by September 2007, too late to inform the approach for the DSCRW, which had by then become a vehicle for school construction while the governance dimension had taken a back seat.

2.4 Safeguard and Fiduciary Compliance

Financial management: Throughout the project period, records of fund receipts and disbursements have been maintained at the MoF's Special Disbursement Unit (SDU), as well as at MRRD. MRRD had initially limited financial management capacity, and disbursement of block grants has been a responsibility of the NSP Oversight Consultant. Financial reporting was initially poor, and monthly and quarterly financial reports – including the mandatory financial monitoring reports to be submitted quarterly to the Bank – were not prepared regularly. However financial reporting has improved considerably over time.

For CDC block grants MRRD has maintained only a summary statement of sub-project expenses and progress. Initially, all underlying supporting documents were only supposed to be maintained by the CDCs at the community level, and it was envisaged that as part of the project monitoring approach, MRRD would undertake periodic sample audits of CDC financial management. However, no field sample audits have been undertaken other than during Bank supervision missions, and this has limited the ability to ascertain that funds were used for the purposes intended. Subsequently, a requirement was introduced to maintain copies of supporting documents at MRRD provincial offices. This requirement is not practical under the conditions that prevail in Afghanistan's rural areas since it involves copying, transferring, managing, and analyzing documentation from tens of thousands of community sub-projects. Instead, the previous arrangement where CDCs retain the supporting documents at the community level, and MRRD (or a consultant) conduct periodic sample audits should be reintroduced and actually carried out. For the ICR, an SOE review was conducted. A sample of 25 CDC sub-projects for Kabul province was selected for review, and documentation was furnished for 19 sub-projects. The review did not indicate any major deficiencies.¹

The funds flow arrangement has been satisfactory. All payments have been centrally controlled by MoF. An assessment of the process reveals that this has been managed appropriately since the project began. For Block Grants, a float was maintained in a separate bank account by the Oversight Consultant. Periodic payments into this account were made by MoF based on Statement of Expenditures (SOEs) prepared by the Oversight Consultant showing payments made to the CDCs and approved by MRRD. As described in Section 2.2, replenishment of the block grant float has been subject to considerable lags amounting to a total of 405 days of delays five days or longer between January 2005 and end of March 2007.

Records under NSP, like other emergency projects in Afghanistan, were maintained manually at the SDU from the project inception until March 2005, when the SDU started using the Afghanistan Financial Management Information System (AFMIS). It was assumed that record

¹ The mid-term evaluation from May 2006 did not find any evidence of misuse of funds by CDCs.

keeping would have improved greatly with the transition to AFMIS, but this has not been the case. Under AFMIS, there are still no component-wise disbursements records. However, SDU and the project are working towards incorporating component-wise information in the financial statements and the quarterly Financial Management Reports. The internal control system has been satisfactory

Annual audited financial statements were submitted regularly, although not within the time stipulated in the Financing Agreement. The audit opinions of the Control and Audit Office of Afghanistan were generally unqualified, except for opinions issued in the last two years. Key points raised in the last audited financial statements and the management letter for the fiscal year ending March 20, 2006 (SY1384) for all the credits/grants for NSP included (i) inconsistency between figures reported in the Financial Monitoring Reports and Financial Statements, (ii) the total amounts on M16 forms authorized and recorded in the project's records did not correspond to the financial statements prepared by MoF, (iii) ineligible expenditures of US\$76,944 under incremental operating cost relating to construction of a government office building, (iv) payments made over the budgetary allocations for Block Grants and Consultancy Services and Training, (v) ineligible expenditures of US\$100,000 on account of missing supporting documentation, and (vi) lack of maintenance of a cash book to record operating expenses incurred by MRRD. Responses to key audit findings arising from the Bank's reviews of the audit reports have been received from MRRD, and these have been forwarded to the Control and Audit Office of Afghanistan for follow up and conclusion.

Given that there was no adequate financial management system in place when the project became effective, one can conclude that FM capacity has been built steadily over the life of the project. This capacity not only benefits the project, but extends to the general operations of MRRD's finance department. However, as the latest audit report indicates, there is scope for further strengthening.

Procurement: Due to the capacity constraints across all line ministries, procurement of goods, works, and services for all Bank financed projects was initially undertaken by a central procurement agent contracted by the Afghan government. From mid 2004 onwards, MRRD's Procurement Department began to take the lead in carrying out procurement actions for all goods, works, and services. However, the contracting of Facilitating Partner agencies and amendments to their contracts was subsequently delegated to the Oversight Consultant from January 2005. Lack of familiarity by MRRD staff of Bank Procurement Guidelines and procedures contributed to delays.

There was one major contract with the Oversight Consultant which was amended five times. The amendments resulted in (i) time extensions from an initial period of 12 months to 42 months, and (ii) price modifications from an initial contract price of US\$5.3m to US\$32.5 m. There were 26 contracts with 24 Facilitating Partners to undertake social mobilization and provide assistance to communities. These contracts were modified several times with up to four amendments over a period of 48 months. The amendments were time and cost modifications, and were inevitable as NSP expanded by including new communities based on the success and the availability of funding for the program, and as some Facilitating Partners had to be replaced. However, it would have been advantageous if the contracting requirements of the NSP expansion and phasing had been reviewed at mid term in order to find solutions that avoid, limited, or streamlined such frequent amendments.

Under the District School Window, 18 contracts were awarded to construct 8 to 16 classrooms for 58 schools in seven provinces. These contracts could not be completed during the project period

and were extended to the second project. There were several contractual modifications to increase the quantities due to lack of diligence in the calculation of bills of quantities by MRRD's engineering staff working on the District School Construction and Rehabilitation Window. In addition, there were instances where schools got relocated since another donor was found to be financing the rehabilitation, or the number of classrooms was reduced as the demand was found to be lower than initially assessed. Careful engineering planning combined with more effective liaison with MoE and other donors could have contributed to avoid such incidents.

Environmental and social safeguards: Negative environmental impacts, whether by individual sub-projects or aggregate, of the predominantly very small-scale civil works sub-projects are negligible. Involuntary land acquisition under eminent domain has not been an option in any sub-project, since local authorities do not have access to funds to purchase land or other assets if land acquisition were to be undertaken, and since the political costs (in terms of opposition from affected landowners and their relatives who hold residual rights in the land) would prevent the weak government apparatus from attempting to acquire any land against the will of those affected. Thus, where land is required for a particular sub-project, it can only be obtained through either private voluntary donations, compensation paid by the community (i.e. transaction between willing buyer-willing seller), or from available government land. All Afghanistan's many different ethnic groups are indigenous in terms of the criteria of OP 4.10, and even the historically dominant Pashtun are locally found as minorities surrounded by ethnic groups (e.g. Uzbek, Turkoman, Tajik) that nationally constitute minorities. The key issue is therefore one of equitable inclusion in access to project benefits, and this is ensured through key project design features which are (i) national scale and coverage which have ensured that all the country's different ethnic groups are reached, and (ii) an approach for election of CDCs, which provides for representation and voice of all sub-groups in the community. Documentation and field visits indicate that such inclusion has been achieved.

The project's *Environment & Social Safeguards Framework* and the Operations Manual contain check-lists on environmental impacts and corresponding mitigation measures for specific types of sub-projects, as well as forms to document how access to land was obtained for particular sub-projects. While no involuntary land acquisition has been undertaken, land is nearly always subject to conflicting claims, and anecdotal evidence suggests that land was used for sub-projects without resolution of such disputes.² However, the project MIS do not contain any records on how access to land was obtained or how environmental impacts were managed, this is not reflected in progress reports, and no audit has been carried out to assess these issues.

2.5 Post-completion Operation/Next Phase

A follow-up operation– the Second Emergency National Solidarity Project (NSP-II) – with IDA grant financing of US\$120 million (SDR81.2 m) became effective on May 15, 2007. The NSP-II maintains the approach to CDC elections together with the community decision-making and management of sub-projects that was featured under the previous operations. Over the three year project period, the project targets are expansion of outreach to 21,600 communities representing 90% of the country's rural population, and funding and completion of 16,000 sub-projects. However, the design of NSP-II differs from that of the previous operations in one significant

² The report on the assessment of the NSP District School Construction and Rehabilitation Window from September 2007, found that “land disputes were an ever present feature of the school building process” (p. 8).

respect. The envisaged smaller recurrent annual block grant has been discarded, and communities that have used their initial block grant are no longer assured of any subsequent funding.

During NSP-I, steps were taken as local capacity increased to decentralize the initially highly centralized project management structure by delegating sub-project appraisal, training and engineering support for Facilitating Partners to regional and provincial management units. All sub-project proposals (except bridges and mini hydro-power) are appraised at the provincial level, and provincial engineers provide technical support to Facilitating Partners. This process will continue with full integration of former Oversight Consultant staff and provincial MRRD staff in MRRD's provincial offices. The former Oversight Consultant staff is contracted by the NSP Management Unit. Likewise, procurement, which was initially handled by a central procurement agent, and subsequently by the Oversight Consultant for contracts with Facilitating Partners, has been fully transferred to MRRD. Further changes in the implementation arrangements to build sustainable institutional capacity involve transferring management and oversight functions that were previously handled by the Oversight Consultant to MRRD. The Oversight Consultant was succeeded in April 2007 by a Management Support Consultant recruited through ICB, and a transfer of functions to an autonomous NSP Management Unit within MRRD has taken place from September 2006 onwards. The NSP Management Unit will be handling policy and strategy development, resource mobilization and budget preparation, and coordination with other ministries. The Management Support Consultant will be responsible for block grant management, training and capacity development, and the MIS.

The funding made available through NSP-II has to cover immediate commitments carried over from NSP-I of US\$38.2 million (US\$26 m in block grant commitments to ongoing sub-projects and US\$12.2 m for contract commitments including a backlog of payments to Facilitating Partners).³ In addition, the carry-over from NSP-I includes block grant funding of around US\$98 million for the approximately 4,200 CDCs that have not yet developed fundable sub-project proposals as well as around US\$29 million to cover the facilitation costs for these, resulting in a total commitment not including central management costs deriving from NSP-I of US\$165.2 million. By end March, 2007, only about US\$18 million remained from other funding sources.⁴ Thus, without substantial additional co-financing, the funding available for NSP-II will not enable an expansion of operations, unless this is done at the expense of commitments already made for ongoing operations.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

The project objectives of empowering rural communities to define and manage their rehabilitation and development priorities and to improve access to productive infrastructure and services continue to be highly relevant in the prevailing post-conflict context characterized by substantial unmet needs in the rural areas, and the increasing urgency imposed by the resurgent insurgency on the state to demonstrate its ability to address these needs.

³ NSP Quarterly Report for 1st January to 31st March, 2007, MRRD.

⁴ NSP Monthly Program Report: March 2007, MRRD.

The NSP is a critical vehicle for delivery of the benchmarks of the Agriculture and Rural Development pillar of the Interim Afghan National Development Strategy (the basis for an Afghanistan Poverty Reduction Strategy). In the I-ANDS, the NSP alone is tasked with delivery of the community development benchmark (outreach to all the country's villages by the end of 2010), and is also expected to play a central role with regard to delivery on rural infrastructure, empowerment of women, and good governance.

The overall theme for the Bank's Interim Strategy Note (ISN) for the Islamic Republic of Afghanistan for the period FY 07 to FY 08 is state-building, and the focus is on assistance to achieve results with regard to three strategic pillars aligned with the I-ANDS. One of these is promoting growth of the rural economy and improving rural livelihood, and to this end, the CDCs established under NSP would play a central role in the development of a new model for demand driven rural development, and would at the same time, by increasing legitimate government interaction, reduce the role of groups that have become used to usurping local power. The benchmark for progress under the ISN pillar would be that NSP by FY 08 reaches 80 percent of the rural population.

3.2 Achievement of Project Development Objectives

Local governance: Between the start of field implementation in the summer of 2003 and March 31, 2007, 16,502 Community Development Councils (CDCs) had been elected through secret ballot by men and women establishing the outreach of NSP to two thirds of Afghanistan's estimated 24,000 villages (10,321 CDCs were elected during the ICR period). A total of 22,458 sub-projects submitted by 12,270 CDCs and meeting appraisal criteria were being funded with aggregate block grant disbursements amounting to US\$283.7 million (US\$224.4 m disbursed for 16,496 sub-projects during the ICR period). The main findings of the midterm evaluation undertaken for MRRD in 2005-06 were, that in communities reached by NSP there is significant evidence of:

- Empowerment of CDCs,
- Improved community relations,
- Increased public faith in the system of government.

Case studies conducted as part of the mid-term evaluation of 18 CDCs in different parts of the country found that, while their composition and functions did vary between communities, the CDCs were emerging as legitimate local governance institutions. The mid-term evaluation also found that "NSP communities have far more tools than non-NSP communities for envisaging problems, linking priorities, and planning. NSP communities are therefore less reactive and more proactive, and have a significantly more favorable opinion of the government that non-NSP communities do not share. The non-NSP communities have a strong distrust of government and little faith in its ability to address their problems". This finding is paralleled by a survey from February 2007 by the Center for Strategic and International Studies, which states that "the CDCs and tribal *shuras* are seen as more responsive to Afghan needs than provincial governments and provincial councils, and in many cases are the only sign of improvement villagers have seen in the past five years".

Poverty reduction: Of Afghanistan's rural population, 52.8% have incomes below the poverty threshold. In 2003, the poverty threshold was estimated at Afs 4,621 per capita per year, which

would purchase a daily food consumption equivalent to 2,100 calories per person per day.⁵ Converted to 2007 prices, the poverty threshold is Afs 5,767 (US\$115) per capita per year. NRVA has identified high incidence of landlessness, and unskilled farm and non-farm families depending on daily wage labor as some of the key characteristics of the moderately to extremely poor households in Afghanistan. Among the NSP sub-projects, access to major basic services like power, roads, drinking and irrigation water, and education accounted for 71% of the implemented sub-projects, 79% of the block grants disbursed, and 73% of the rural families benefited. Of the 1.15 million rural families that benefited from these CDD sub-projects in the power, roads, water, and education sub-sectors, about 0.6 million can be classified as moderately to extremely poor families. Immediate savings realized annually are estimated at US\$65 per beneficiary family, while improved access to basic services like electricity, roads, water, and education will impact rural livelihoods in the longer run to reduce poverty. For instance, power generation accounted for about 20% of the block grants disbursed, providing access to electricity for about 193,000 rural families, of which more than half are classified as moderately to extremely poor.

The sub-projects implemented during the project period have generated direct employment for the beneficiary families, equivalent to 10.6 million labor days, and if CDD activities based on the CDPs receive funding in the future, this will sustain the direct employment opportunities for the rural poor families. Spillover effects of farm and non-farm employment and income opportunities in the NSP communities will further contribute to improve household incomes. Increased profit margins for wheat growers and grape producers, reduced farming costs for small holders, increased mechanization of farm operations, improved access and quality of water supply, the freeing of women's labor for income generating activities, and innovative institutional initiatives at community level for better health care and access to basic services are already realized in many project communities.

3.3 Efficiency

Concern has been raised with regard to the size of the program "delivery costs" of NSP in relation to the value of block grants disbursed. However, in addition to the fact that these costs have decreased as a proportion of overall program costs, two other issues should be considered. The first is, that throughout the implementation period, delays in the disbursement of block grants deriving from delays in mobilizing adequate donor funding, in transferring block grant funds to the NSP headquarter, in transferring funds from the account in the central DAB to its provincial branches, and delays in depositing second and third block grant installments into CDC bank accounts, have all contributed to increase the actual program "delivery costs". The institutional set-up and staffing were in place to deliver, but could not do so due to constraints on block grant disbursements. The second is, that the costs of the Facilitating Partner contracts are not just administration and overheads, but include the costs of delivering the governance output of NSP, namely elected CDCs with capacity to plan and manage local development activities. Specifically, this includes assistance to communities to conduct the CDC elections, prepare sub-project proposals, conduct implementation supervision, and build CDC capacity for procurement,

⁵ Based on the National Risk and Vulnerability Assessment (NRVA) analysis as quoted in WB Report No. 29694-AF on Afghanistan Poverty, Vulnerability and Social Protection: An Initial Assessment, dated March 7, 2005.

financial management, and transparency. The low literacy rate across rural Afghanistan means that villagers need fairly intensive and protracted facilitation assistance to plan and manage sub-projects. In a sample of 4,852 CDCs, the average was 3.6 literate members per CDC, and there are villages where no one is literate. Even so, the capacity created through facilitation of the initial sub-projects does result in lower “delivery costs” for subsequent sub-projects, and this would likely also be the case regarding other CDD type activities at the village level.

Analysis of one year cost break-up based on 2005/06 data for five Facilitating Partners show the following: The total budget for contract services was \$17.6 million, out of which new communities

accounted for 55% and the rest for follow-up activities in communities from the previous program phase. The unit cost of facilitation had come down by 38% in the follow-up communities as

**Table-4 Capacity creation by five sample FPs, 2005/06:
Functions and cost-break up**

Cost for	Communities		Total	
	New	Follow-up	\$ million	% share
Governance	66%	34%	4.63	26
Sub-project preparation	62%	38%	3.98	23
Sub-project implementation	52%	48%	8.05	46
Training			0.72	4
MRRD staff integration			0.20	1
Total (\$ million)	9.71	6.94	17.58	100
No. of communities covered	1,823	2,094	3,917	

compared to the new communities. During the one year period, the five Facilitating Partners supported the development of 4,545 fundable sub-project proposals. The average cost of facilitating one sub-project proposal with an average block grant value of US\$12,688 was US\$3,868, which is 30% of the cost of a sub-project proposal. While 69% of the Facilitating Partner costs are specific to sub-project preparation and implementation, the rest is distributed on governance, training, and staff integration whose longer term impacts go beyond the NSP project area. Excluding the 31% of the Facilitating Partner costs which will have system wide impacts, the share of facilitation costs for delivering the block grants come to 21%. The cost efficiency analysis for five Facilitating Partners indicates that the actual cost of block grant delivery is less than the 25% targeted in the project. This also compares favorably with the first year of NSP implementation, when the “delivery costs” constituted 61.7 percent of block grants: it cost nearly 62 cents to deliver 1 dollar worth of block grants.

3.4 Justification of Overall Outcome Rating

Rating: Satisfactory

The project objectives and the overall project approach are highly relevant in the continuing post-conflict environment, and are at the same time closely aligned with the I-ANDS’ goal of building an inclusive society through participatory decision-making and governance at the village level. There has been significant progress with regard to achievement of the outcomes of consultative decision making and representative local leadership, together with local level reconstruction, development, and capacity building, even though the sustainability of local governance institutions (the CDCs) remains precarious, the poverty impacts need to be better documented, and the technical quality of sub-projects is uneven. Since the start of the project its efficiency has increased substantially, and by the end of the ICR reporting period, the immediate “delivery costs” in relation to block grants were assessed to be 21%, and lower than initially forecasted 25%. A rate of return of 23.6% is estimated for the subprojects in the four major sectors of irrigation, transport, drinking water, and power, which account for 89% of the block grants disbursed.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Gender Aspects, and Social Development

No traditional rural institution has been representative of women nor permitted their participation, thereby excluding half the population from any recognized voice in community affairs. With the introduction of CDCs, equal representation for women is actively promoted, and on average, 35% of the CDC representatives are female. Depending on local circumstances, women's representation has constituted anything from symbolic presence (majority of cases) to an active platform for women's interests (few cases). Gender segregation in the CDCs is presently a necessary measure for involving women, and these all-female CDCs at least provide women with a forum to meet and discuss shared problems and issues, something they did not have previously. With women's increasing education and income earning activities, it can be expected that they will gain more voice in local affairs. Generally, women have so far had little direct say in the process of prioritization and sub-project selection. However, in the present situation where the needs of rural communities are massive, no major differences between men's and women's priorities are recorded as far as public goods are concerned. Thus, the benefits deriving from repair of irrigation systems and provision drinking water supply are not gender specific, but accrue to households. A key constraint in increasing both the representation and role of women in the CDCs has been the difficulties in recruiting female Afghan field staff. Only 17% of the field staff deployed by NSP Facilitating Partners are women.

(b) Institutional Change/Strengthening

The NSP has for the first time in Afghanistan's history introduced an institutionalized framework for inclusive consultative decision-making at the village level as part of the state governance system. Through the facilitation provided for the formation of elected CDCs and for community level planning and implementation of sub-projects, capacity is being built at the local level for managing inclusive consultative decision-making to address joint needs, as well as regarding planning and project management involving procurement and financial management. Also for the first time in Afghanistan's history, women have been involved in formal governance arrangements, although still only partially so. With the introduction of the CDC By-Law, the formal basis has been put in place to regularize the CDCs as the entry-point for all government and bilateral development activities at the village level. However, a major challenge remains in establishing effective functioning coordination across line ministries and donors to use the CDCs as entry-points as mandated by the CDC By-Law.

The assessment from September 2007 of the participatory district governance pilot – the District School Construction and Rehabilitation Window – found that while the District Management Committees established to undertake joint planning and management of school construction involving CDC representatives and district authorities could work, if supported by expert facilitation, the attention and resources given to the governance dimension of the pilot were inadequate. As a result, the critical issue of mediation and conflict resolution was ignored, which meant that tensions regarding who represented CDC clusters at the district level were left unresolved, as were the thorny relations between CDC representatives and government officials unused to deal with villagers as partners. Moreover, no clear communication mechanisms were established to ensure that information was shared with CDC members and villagers not directly involved in the planning and management process. The assessment found that “some CDCs in the project described a positive initial interaction with District Management Committees which soured because the CDCs felt that they were constantly being made to face their lack of power to influence any aspect of the program. Peoples' participation in DSCRW was mostly expected as

ten percent community contribution of labor and some materials”, converting the exercise into a vehicle for school construction rather than for participatory local governance. However, the assessment also found that potentially “a forum such as the District Management Committee is a good place for government representatives to show themselves as ... responsive to community members, but only if they have the power to effect change, and if they have a stake in building trust among communities, whom they should see as constituencies rather than rivals in appropriation and control”.

At the government level, both an institutional framework and capacity is being established to manage a large scale national CDD program. When the project was being initiated in 2002-03, staff in the implementing ministry (MRRD) was entirely unfamiliar with the concept and practicalities of CDD operations, and with proper procurement and financial management practices, and project development hinged on a handful of actors in MRRD and MoF. Today, an NSP Management Unit within MRRD has assumed core management and planning functions, provincial MRRD offices have a central role in operations, and procurement is handled within the ministry. However, apart from mobilization of adequate funding, major remaining challenges include the establishment of effective district level facilitation capacity for CDCs in areas from which Facilitating Partners will withdraw at the expiry of their contracts, and coordination among relevant projects and programs managed by MRRD to ensure that they use the CDCs as entry-points as mandated by the CDC By-Law.

(c) Other Unintended Outcomes and Impacts (positive or negative)

An unintended impact has been the strengthening of the outreach of the DAB across the country. At the start of NSP field implementation, the DAB as the only bank in the country had functioning branches in just a few of the provincial centers. The demand created by the CDCs for banking services and the volume of transactions generated by the block grant transfers have stimulated expansion the DAB, which now has functioning, computerized branches in all provincial centers.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

(optional for Core ICR, required for ILI, details in annexes)

See Annex 5 on Beneficiary Survey Results.

4. Assessment of Risk to Development Outcome

Rating: Substantial

The risks that achievement of the development outcomes will not be maintained are significant. Other than the precarious security situation, which has been worsening in the South and East, the main risks are manageable and are:

A. Risks to the institutional sustainability of the CDCs due to the following:

1. ***Lack of sustained funding of CDCs:*** The original program conceptualization, and a justification for the substantial donor investments in the program and its governance dimension, was that the initial community block grant would be succeeded by a recurrent, annual block grant transfer to the CDCs as part of the government’s development budget, albeit at a significantly lower level, which would ensure their institutional sustainability. A recurrent annual block grant transfer is no longer envisaged, and there are currently no

plans to provide any smaller follow-up block grants. As currently designed, NSP will over the next three years withdraw from around 17,000 CDCs that have completed implementation of their block grant. Without the means to undertake the functions for which they were established, it is unlikely that the CDCs will be sustainable, since potential access to resources through other programs and projects is unevenly distributed across the country and often not targeting the CDCs as the entry point for delivery. Moreover, even if these CDCs receive funding from some source on a regular basis, their sustainability would be at risk if they do not receive facilitation assistance to either some or all of the following activities (i) undertaking a second round of CDC elections, (ii) preparation of technically and financially sound sub-project proposals, (iii) additional capacity building regarding procurement and financial management, and (iv) technical supervision of sub-project implementation. The two-person teams that MRRD plans to field at the district level to assist the post-NSP CDCs do not have the skills to provide this assistance.

2. ***Lack of coordination:*** Inter-ministerial coordination to ensure that CDCs are used as the entry point for village level development activities has until recently been absent both at the central and provincial levels, and still remains elusive as a concrete operational reality even after the formation of an NSP Steering Committee headed by one of the two vice presidents. The lack of coordination at the central level is mirrored in the provinces, where the midterm evaluation found that “the validity of the NSP itself is continually questioned by other provincial level ministries”. While donor coordination has been fairly successful with regard to the mobilization of funding for the core NSP (through ARTF and bilateral contributions), there has been little attention to coordinate with free-standing programs implemented by other donors (or for that matter NGOs) to ensure that where relevant, they involve the CDCs in planning and implementation of village level development. This also applies to the projects/programs managed by MRRD (National Emergency Employment Program for Rural Access and the National Area Based Program).
3. ***Lack of CDC involvement in local governance:*** If CDCs are to have a role as sustainable local governance institutions, this will require that linkages are established with existing sub-national governance structures at both the district and provincial level. The piloting undertaken earlier of CDC involvement in joint district level planning together with district authorities should be revisited in order to develop an approach, which – if accompanied by adequate facilitation support including conflict mediation, training, and funding for district level activities – would enable direct involvement of CDC representatives in decision-making at the lowest level of sub-national governance. At the provincial level, the Provincial Councils are mandated to monitor the performance of provincial authorities. Involvement of CDCs in the monitoring of service provision by district and provincial authorities, and the linking of this function to the Provincial Councils would - if accompanied by adequate facilitation support, training, and funding to conduct the monitoring exercise –serve to both strengthen the efficiency of the currently weak Provincial Councils and give the CDCs a voice in an ongoing dialogue on service provision. In addition to strengthening the institutional sustainability of the CDCs, measures such as those outlined above might also contribute make sub-national governance structures tangibly useful to villagers and foster a sense of ownership, which in turn might counter the appeal of the growing insurgency. Both MRRD and the recently established Independent Directorate of Local Governance under the President would be partners in a discussion of the role of CDCs in sub national governance.
4. ***Lack of adequate fund mobilization and timely disbursements:*** The funding shortfalls and disbursement delays entail risks of frustrating the initial high expectations of villagers. Increased attention to mobilization of donor funding based on regularly

updated NSP budget forecasts together with adjustments in implementation arrangements to ensure timely flow of funds to CDCs are required. At the same time, the tension between finalization and consolidation of activities in already established CDCs on the one hand, and outreach to new communities on the other need to be managed in a way that does not put results already achieved at risk.

B. Risks to the sustainability of civil works derive from (a) inadequate engineering assistance to CDCs for sub-project design and supervision resulting in substandard construction quality, (b) a weak local contracting industry, (c) use of inappropriate technology (diesel generators), and (d) approval of sub-projects with inadequate operation and maintenance plans.

5. Assessment of Bank and Borrower Performance

(relating to design, implementation and outcome issues)

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Satisfactory

The Bank's performance through the lending phase ensured that a follow-up project to the community empowerment component of the ECEPWP was prepared within a three month timeframe drawing on the (still limited) implementation experience, and that funding was available to continue operations uninterrupted by the time the ECEPWP closed with 100% disbursement. Support was provided to the government regarding mobilization of donor support for co-financing from ARTF, Japan, Denmark, and Norway.

(b) Quality of Supervision

Rating: Satisfactory

The Bank's performance during the implementation phase entailed fielding of comprehensive multi-disciplinary supervision teams including expertise on financial management, procurement, engineering, monitoring, and safeguards which ensured identification of key project performance issues such as the need to strengthen engineering capacity to enhance the technical quality of sub-projects, improve monitoring and evaluation including poverty outcomes, and improve safeguards reporting. The May 2006 supervision mission Aide Memoire committed the Bank to streamline and simplify the policy on packaging and procurement of contracts with Facilitating Partners, something which the comments by the Facilitating Partners indicate is still an unresolved issue (Annex 8). While the Bank provided two supplemental IDA Grants, it could have played a more active role in assisting MRRD in mobilizing co-financing for NSP by using its convening power to conduct a dialogue on this with donors.

(c) Justification of Rating for Overall Bank Performance

Rating: Satisfactory

Overall Bank performance during the period under review included quick preparation of a follow-up to the ECEPWP in response to the government's request, the preparation of two supplemental IDA grants, and preparation of the NSP-II, together with candid supervision reporting including proposed solutions to issues identified.

5.2 Borrower Performance

(a) Government Performance

Rating: Satisfactory

During the project preparation phase, the government was a strong champion of the project and provided guidance and feed-back on objectives, components, and approach to the Bank Task Team. Such guidance and dialogue continued into implementation. At the same time steps have been taken to rectify shortcomings in critical implementation areas (e.g. by DAB with regard to block grant transfers). During the later stages of implementation, the MoF has begun to question the comparative advantage of NSP as a poverty alleviation instrument compared with other urgent reconstruction and development priorities involving major infrastructure, a challenge that the project still has to convincingly address in terms of analytical work on its poverty impacts.

(b) Implementing Agency or Agencies Performance

Rating: Satisfactory

Since the start, MRRD has consistently demonstrated commitment to and ownership of the project, which has expressed itself in an ongoing dialogue between key ministry actors (including the two ministers who have held the MRRD portfolio) and the Bank on strategic and implementation issues. At the same time, MRRD has strengthened its capacity regarding project management and oversight, although stronger performance could have been demonstrated regarding (a) timely budget forecasting and mobilization, (b) ongoing consultation with Facilitating Partners to develop solutions to problems (e.g. to strengthen recruitment of female field staff, and to develop an implementation approach for high risk areas), (c) establishment of a functioning MIS and undertaking sample assessments in key areas to inform the approach and strengthen achievement of development objectives, and (d) coordination with other projects and programs implemented by the ministry.

(c) Justification of Rating for Overall Borrower Performance

Rating: Satisfactory

There has been strong commitment to and ownership of the project, particularly by MRRD, and the government has improved its capacity in areas critical to project implementation.

6. Lessons Learned

1. A key lesson is, that in a difficult post-conflict situation characterized by limited government capacity, the project's choice of institutional arrangements featuring performance based contracting of service providers for management assistance and field implementation has lend itself to a rapid scaling up of project outreach.
2. When the purpose of these institutional arrangements include both delivery of a "peace dividend" and building of capacity in the implementing government agency to manage the delivery of this "peace dividend", the challenge of balancing these two aims needs to be carefully managed, so that the incentive to provide rapid results on the ground does not take precedence over the capacity building, that may be the condition for sustainable and cost-effective delivery of development interventions in the medium and longer term. At the same time, capacity building and full transfer of key management functions from service providers to the implementing government agency needs time since in addition to capacity enhancement, this involves institutional and attitudinal change.

3. In the Afghan post-conflict context where rapid delivery of a “peace dividend” is critical to establish or maintain the credibility of government vis-à-vis the population, the implementing agency together with donors (and with the Bank in a convening role) needs to ensure that adequate funding is available to avoid shortfalls that for extended periods may both leave community sub-projects without the resources to complete activities, and field implementation agencies without the funds to cover their operating and staff costs.
4. To address this recurrent problem of funding shortfalls, MRRD assisted by the Bank should engage donors to establish annually and ahead of the Government’s budget formulation an accurate schedule from donors detailing their assistance level, pledged and recurrent, together with a timetable for when these funds would be submitted to ARTF. To the extent possible, multi-year commitments should be sought (as provided by DFID) or at least multi-year indications of expected assistance levels. This would improve the predictability of funding availability and contribute to eliminate the large time gaps of the past when funds were not available.
5. The challenge of maintaining engineering quality of sub-projects, which has been and remains an issue in the project and nationally across other projects and programs as well, needs to be managed. However, this can not be effectively addressed at the level of a project implementing agency, but requires a broader effort that aims at building capacity for small and medium contractors coupled with a certification process to establish a list of pre-qualified contractors.
6. Institutional sustainability of the elected CDCs as local level development and governance bodies is not likely beyond the period when project grants are provided, unless the requirement of the recent CDC By-Law of using the CDCs as entry-point for village level development activities is operationalized through coordination among different line ministries and donor funded programs, as well as through linkages with the existing local government apparatus (e.g. joint District level planning exercises on resource allocation with CDC involvement, and accountability measures such as CDC monitoring of government service provision).
7. While the inter-ministerial NSP Steering Committee headed by a vice-president constitutes a formal mechanism for coordination that may lend itself to overall policy direction on coordination, a more operational forum is required to define and oversee the practical coordination of rural development activities on an ongoing basis. Such a forum could initially consist of the directors of the different relevant Bank financed projects (e.g. NERAP, EIRP, EQUIP, HSERP, and Horticulture Project) together with the TTLs, and chaired by the NSP Executive Director.⁶ When operational, representation in the forum could be expanded to include other relevant line ministry departments and bilaterally funded programs.
8. Monitoring and evaluation needs to be strengthened in several areas including (a) entry of baseline data into the MIS, (b) periodic assessments of the engineering quality of civil works sub-projects and their O&M arrangements, (c) periodic audits of CDC financial management

⁶ NERAP: National Emergency Rural Access Project; EIRP: Emergency Irrigation Rehabilitation Project; EQUIP: Education Quality Improvement Project; and HSERP: Health Sector Emergency Rehabilitation Project.

and procurement, (d) assessments of livelihoods activities in terms of sustainable income increases, (e) entry into the MIS and analysis of data on CDC composition to enable an assessment of the governance outputs of NSP in terms of inclusiveness versus elite capture, (f) assessment of the factors that critically influence the functioning and roles of CDCs, and (g) assessment of the poverty reduction impacts of NSP.

9. Even in areas with high security risks there is a demand from villagers for assistance through NSP. However, both villagers and implementation staff are at risk from retribution from the insurgency, and an effective strategy that maintains the core principles of the program have not been developed for such situations. Since different Facilitating Partners have developed apparently successful individual approaches to manage operations in high security risk areas (e.g. International Rescue Committee in Khost), a series of consultative workshops - similar to those conducted when the NSP approach was initially developed - should be held to explore whether an effective strategy for high risk areas is feasible.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

There is basic agreement regarding the issues, problems, and remedies in the analysis of both MRRD and the Facilitating Partners on the one hand and of the ICR on the other. Two key issues raised by both MRRD and the Facilitating Partners should be addressed collaboratively, namely:

- 1) Revisit the Operations Manual to introduce measures to simplify operational procedures. This for reconsideration inter alia include (i) CDC procurement, (ii) CDC financial management arrangements such as the requirement to provide bank statements and copies of supporting documents to MRRD provincial offices, and (c) the requirement that CDCs can only implement sub-projects in succession and not in parallel..
- 2) Resume the regular meetings between NSP management and FP representatives to discuss and resolve critical implementation issues, such as the facilitation and capacity building support required to promote the sustainability of CDCs, and an effective approach to implementation in high security risk areas, which does not compromise the integrity of the basic NSP principles of inclusive participatory decision making on the use of block grants and management of sub-project implementation.

(b) Cofinanciers

The comments reinforce the points made in the ICR regarding the need to rigorously assess the poverty impacts of NSP, and to situate considerations regarding the sustainability of the CDCs within the broader context of a coherent sub-national governance structure.

(c) Other partners and stakeholders

(e.g. NGOs/private sector/civil society)

See comments above under (a).

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
BLOCK GRANTS FOR COMMUNITIES	72.32	289.24 ⁷	400
COMMUNITY FACILITATION & SUB-PROJECT PREPARATION	18.38	136.06 ⁸	740
CAPACITY BUILDING AND IMPLEMENTATION SUPPORT	2.30	4.65 ⁹	202
EXTERNAL MONITORING & EVALUATION	2.00	0.78	39
Total Baseline Cost	0.00		
Physical Contingencies	0.00	0.00	0.00
Price Contingencies	0.00	0.00	0.00
Total Project Costs	95.00 ¹⁰	430.73 ¹¹	454
Project Preparation Fund	0.00	0.00	.00
Front-end fee IBRD	0.00	0.00	.00
Total Financing Required	0.00	0.00	

⁷ Includes the Block Grants to communities and expenditure incurred under the District School Construction and Rehabilitation Window.

⁸ Includes the costs of hiring Facilitating Partners, Oversight Consultant and other miscellaneous consultancies for the project. The bulk of community capacity building/training were integral component of the Facilitating Partner contracts.

⁹ Includes the costs of buildings, MRRD incremental operating costs and good and equipment.

¹⁰ The costs reflect the initial IDA grant for NSP-I, which was expected to be supplemented by both cofinancing and additional IDA funding to achieve the planned project expansion.

¹¹ The costs include the total expenditure incurred from all the IDA grants, JSDF grants, and ARTF grants as well from other bi-lateral sources that have funded the project.

(b) Financing (Project start till March 31, 2007)

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
IDA-H009 Part B Grant (April 2002)		27.00	27.00	100.00
IDA-H0720 - GRANT (04/05/2004)		96.87	98.30	101.48
IDA-H1740 (Effective 10/16/2005)		27.09	27.09	100.00
IDA-H2090 (Effective 05/31/2005)		42.18	41.04	97.30
MULT-53939 (Effective 09/20/2004)	ARTF	169.98	168.69	99.24
JPN-54367 (Effective 04/10/2005)	Bilateral	26.08	25.93	99.42
Denmark (Acct. 27022)	Bilateral	14.07	11.86	84.29
Norway (Acct. 27049)	Bilateral	1.60	1.60	100.00
Netherlands (Acct. 27198)	Bilateral	0.86	0.00	0.00
Switzerland (Acct. 27188)	Bilateral	1.54	0.00	0.00
Borrower (MoF bridging -46831)	Advance	41.19	41.19	100.00
Total		448.46	442.7	98.72

Annex 2. Outputs by Component

Outputs	ECEPWP outputs Dec. 31, 2004	NSP-I Targets	NSP-I outputs by March 31, 2007	Total outputs by March 31, 2007
Part A: Block Grants for Communities				
Sub-projects meeting appraisal criteria and receiving funds	5,962	15,116	16,496	22,458 ¹²
Sub-projects completed	53	10,539	10,357	10,410
Block Grant disbursement (US\$ million)	59.3	210.0	224.4	283.7
Block Grant commitment (US\$ million)	120.0	304.8	183.7	313.7
Percentage of communities contributing at least 10% of sub-project costs	100%	90%	100%	100%
Number of beneficiary families (in communities that receive block grant funding)	496,833	1,260,000	1,720,084	2,216,917
Labor days created from NSP sub-projects	3,827,604	9,700,000	10,590,432	14,418,036
Part B: Community Facilitation and Sub-Project Preparation				
Villages with elected Community Development Councils	6,181	10,254	10,321	16,502
Villages with Community Development Plans	6,181	9,432	10,082	16,263
Sub-Project proposals submitted	7,472	16,000	20,083	27,555
Percentage of women voting in CDC elections	40-80%	>40%	>40%	>40%
Communities with representation of women in CDCs (joint or separate)	>90%	>40%	95%	95%
Districts	101	178	178	279
Provinces	33	34	34	34
No. of Facilitating Partners	21	NA	24	24
Part C: Capacity Building and Implementation Support				
Project Management Consultant	1	1	1	1
Community members trained in either procurement, FM, O&M	27,350	393,000	408,171	472,234
Facilitating Partner field staff trained	2,607	5,000	1,811 ¹³	4,418
MRRD staff trained	714	850	263	950
Part D: External Monitoring and Evaluation				
Assessment of Facilitating Partners	1	NA	NA	1
External Project Evaluation	NA	1	1	1

¹² The 22,458 sub-projects are implemented by 12,270 communities (1.8 sub-projects per community).

¹³ Figures on Facilitating Partner and MRRD staff trained do not include staff that also attended training in the previous project period.

Annex 3. Economic and Financial Analysis

Block Grants are allocated to communities at a rate of US\$200 per family with an upper limit of US\$60,000 per community. The upper block grant limit was set at US\$60,000 to enable communities, most of which confronted extensive infrastructure damage due to the war as well as unmet needs from decades of deferred development, to undertake meaningful rehabilitation and development activities. A US\$60,000 block grant corresponds to the construction cost of a quality primary school. With an average village comprising around 150 families (equivalent to 900 persons), the average block grant is around US\$26,000. Access to this allocation requires that the community develops one or more eligible sub-project proposals within the framework of the block grant allocation and its own contributions. The average number of sub-projects per village is 1.8.

Methodology: For the efficiency analysis, case studies were drawn from several sources. Project preparation in 2006 for the Second Emergency National Solidarity Project included an economic analysis of 23 sub-projects completed in the provinces of Logar and Khost under the NSP-I. Evaluation reports by the Facilitating Partner Aga Khan Development Foundation analyzed the impacts of completed sub-projects in Bamyan, Baghlan, and Badakhshan. During the ICR mission, additional case studies were conducted to cover 22 completed sub-projects in Kapisa, Panjshir, Kabul, and Parwan. Thus, a total of 45 sub-projects across nine provinces and representing the four major sub-project sectors, namely irrigation, power, transport, and drinking water supply, provided the data for analysis on sub-project costs and benefits. The four sectors identified for the efficiency analysis accounted for 76% of the funded proposals, and 89% of the block grants disbursed during the project period. For the cost effectiveness analysis, analysis was undertaken based on the cost break-up available from a sample of five Facilitating Partners.

Sub-Project Benefits: The project has funded 16,496 sub-project proposals jointly prepared by the CDCs with support from Facilitating Partners (Table-1). The total value of block grants disbursed by the project is \$184 million, accounting for 85% of the grant commitments. By the end of NSP-I, 10,357 sub-projects were completed with the balance in various stages of implementation. The contribution from beneficiary communities is estimated at \$32 million, accounting for 14.5% in overall sub-project investments as compared to the targeted share of 10% as minimum contribution. In fact, the actual community contribution would constitute more than 14.5%, since not all the inputs made by the communities are documented as was observed during the ICR mission field visits. The implemented sub-projects benefited 1.6 million families consisting of 10 million beneficiaries, and provided 10.6 million labor days for the project villages/communities.

Table-1 Distribution of sub-projects, block grants and beneficiaries

Sector wise CDD Sub-Projects	Total Projects	Grants Disbursed	Family Beneficiaries
Water Supply	24.5%	24.7%	24.2%
Transport	21.5%	27.7%	22.8%
Irrigation	16.7%	17.1%	15.6%
Power	13.2%	19.8%	12.2%
Education	12.0%	6.4%	13.5%
Livelihood	10.1%	2.2%	9.6%
Rural Development	1.9%	1.8%	1.9%
Agriculture	0.1%	0.0%	0.1%
Health	0.1%	0.2%	0.1%
Total	16,496	\$184 M	1,582,488

Sample analyses of 45 sub-projects representing the four major community sub-project sectors were used to calculate the sector benefits before aggregating for the sub-projects as a whole. This analysis is based on the following assumptions: (i) one-third of the sub-projects yield less than the opportunity costs of investments and/or become unsustainable¹⁴, and

(ii) the institutional/governance capacity created at the local and national levels is concurrent with the NSP-I project implementation period. The cost of sub-projects is therefore estimated by including the full block grant investment cost, the community contribution,

the cost of community facilitation, and the cost of sub-project preparation. The estimated rate of return (Table-2) for the sub-projects varied from 19% to 30% across the major sub-sectors. For the aggregate analysis of all sub-projects in the four major sub-sectors, which accounted for 89% of the disbursed block grants, the estimated a rate of return was 23.6%. The Net Present Value (NPV) generated by the sub-projects is estimated at \$112 million during the ICR period. However, actual benefits to the society would have been higher than the estimated benefits due to the following reasons:

Table-2 Estimated ERR for Sub-Projects by Sectors

Sub-projects Sectors	Present values, Million \$, 2007 prices			ERR (%)
	Benefits	Costs	NPV	
Water supply & sanitation	113	62	52	30.0
Transport	95	69	26	21.0
Energy	130	107	23	22.2
Irrigation	56	44	12	19.0
Sub-projects, over all	393	281	112	23.6

A. Optimal capacity utilization: Assuming similar sub-project circumstances, optimum utilization of community capacity in planning and managing of future CDD projects would maximize the returns to investments made in project. Even during the project period, underutilization of community level institutional capacity has resulted in sub-optimal returns to the society. For instance, at the project management level, capacity had been created to realize a monthly block grant disbursement of US\$15 million to meet the demands for CDD sub-project investments. However, due to

Table-3 Higher Returns for full Institutional Capacity Utilization

Sub-projects Sectors	Present values, Million \$, 2007 prices			ERR (%)
	Benefits	Costs	NPV	
Water supply	158	79	79	32.9
Transport	133	89	44	23.6
Energy	182	138	44	26.7
Irrigation	78	56	22	21.5
Sub-projects, over all	551	362	188	26.7

constraints on funding availability (see Section 2.2), actual disbursements were never more than 60% of capacity during the NSP-I period resulting in sub-optimal use of the capacity created within the communities, the Facilitating Partners, and the NSP national office. The benefits foregone by the society measured in terms of NPV during the project period is about \$76 million due to the 40% underutilization of capacity (Table-3). If the institutional and governance capacity created by NSP at community level is fully utilized in future for the NSP follow-up project, the potential rate of return increases from 32% to 43% for the four major sub-sectors, and

¹⁴ Based on the case studies analyzed, observations made during the ICR mission's field visits and other mission reports.

to 36.6% for all the sub-projects. This would result in a potential NPV of \$261 million from all sub-projects during the project period.

B. Spill-over effects of sub-projects have the potential to generate more benefits over time. Additional rural development investments, regardless of the funding source, that use the experienced CDCs created by NSP as the entry-point have the potential to generate higher returns per unit of investment (Box.1). Convergence of ongoing and proposed rural infrastructure, agriculture, and micro credit development projects in the communities reached by NSP will have quick and high marginal returns to investments in addition to direct poverty reduction impacts. This was observed in one case study of a road sub-project, where the potential for agriculture and livestock development increased following the improved road accessibility. Another example observed during the ICR mission's field visits to NSP communities is the freeing of women's labor due to mechanized threshing of wheat or provision of hand pumps for drinking water, a potential that can be tapped through micro-credit funding for income generating activities that enhance livelihoods.

Box.1 Road connectivity triggers agriculture growth potential: In the villages of Deh Pashyan (Parwan province) and Dawlat Zai (Kabul province) both construction of new roads and rehabilitation of existing roads with culverts and retaining walls have been funded by NSP block grants. The community contribution in unskilled labor amounts to 16% of the investments. Positive impacts identified by the communities include savings in time to reach the market/district headquarters and savings in transportation costs for marketing of grapes. The grape marketing strategy has changed to benefit the producers. In the absence of roads it took almost a day to reach the market since grapes were transported on animals by the producers, and when reaching the market, prices were dictated by the traders. Thanks to the new accessibility, traders now come to the village, and even with a nominal charge of Afs 2 (4 cents) per one seer (7kg) of grapes as transportation costs, the producers now have a stronger bargaining position vis-a-vis the traders. Project beneficiaries reported substantial savings in transportation cost and better prices for grapes. However, in both communities, the road maintenance plans remain at a very informal level and need monitoring to sustain these impacts.

Another significant impact of roads observed during the field visit is the new access to mechanical threshing of wheat. The mechanical thresher can now come to the village and there is a total shift from animal/human labor based threshing to mechanical threshing. The unit cost of threshing has come down substantially thereby increasing the profit margin for the wheat growing farmers by \$36 per jerib (2000 m²). More importantly, the grape and wheat producers are now planning to improve crop productivity in the coming seasons to maximize their incomes. With increasing substitution of machinery for animal power, farmers can keep dairy cows continuously instead of trading them for draft oxen at an extra cost of \$140 during every cropping season. The poverty base line for rural Afghanistan is about \$115 per capita per year. For resource poor small farmers, NSP sub-projects such as improvements in accessibility have spill-over effects that directly impact on rural poverty alleviation. Further, *with the community driven initiatives taking root in local development planning and implementation, there now exists in these villages an untapped agricultural potential waiting to be exploited with regard to diversification and improvements to agricultural productivity covering wheat, horticultural crops and livestock.*

C. Spin-off effects of the institutional empowerment to undertake community based development can go beyond individual communities/villages both with regard to inter-community relations and to shared public goods that require high investment. This was observed during the mission's field visit and interactions with the Baba Qushqar village in Kabul province (Box.2): Such spin-off effects arising from the community driven interventions need to be facilitated, documented, and used for cross-learning by other communities to trigger similar ventures in other communities. This will help maximizing the benefits from the community capacity already created by the NSP in the project villages.

Box.2 Water supply sub-project producing spin-off effects: The Baba Qushqar village in Kabul province has given top priority to solve the acute drinking water supply problem faced by its 459 families. Hence, about 50% of the allocated block grant was used for installing 26 hand pumps in the village providing efficient access to safe drinking water. Prior to this, the community was suffering from distantly located and poor quality drinking water, and also faced a conflict situation with the private owned natural spring that a nearby village used mainly for irrigating private agricultural land. Thus, this sub-project has improved both drinking water quality and access, while at the same time preventing that the social conflict over water sharing intensified.

Women and children report significant savings in the time spent for fetching drinking water. Prior to the project, each family used to travel 3 to 4 km and spend a total of four hours daily to get water. Now hand pumps are easily accessible for clusters of 18 families. More importantly, health related problems caused by water borne diseases have decreased substantially after the project.

The community efforts in planning and managing community driven projects have also involved broader initiatives to improve health conditions. *One example of such a spin off from this new culture of community driven development is that 37 CDCs have come together in Kabul province to contribute 17% from their individual block grants for a jointly planned and managed maternity clinic.*

The beneficial impacts of the NSP initiated CDD approach need to be sustained both at the institutional and governance levels, and with regard to the infrastructure created in order to maximize the societal benefits. Adequate design and construction quality of sub-project infrastructure is as important as ensuring financial sustainability to meet the annual operation and maintenance costs. On both the fronts, the ICR mission observed ample scope for improvement during the field visits (Box.3).

Box.3 Sustainability of a micro hydropower sub-project: The Deh Pashyan village in Parwan province has spent about 3/4th of its allocated block grant for constructing a retaining wall (to prevent flooding of village) and a micro hydro power plant (10 Kw capacity). The work is nearing completion and there is lack of clarity regarding the technical design and planned utilization once this facility is commissioned. In the original plan, only the retaining wall was planned, and a decision was later made to extend the wall to enable installation of a micro hydro power plant. The current proposal is to provide power for lighting 600 bulbs in 200 homes. The water flow is stated to be perennial, but there is no plan as to how power will be used in the day time, nor how the operation and maintenance of the plant will be managed. Substantial savings in expenditure for lighting by each family is expected. The CDC has decided to charge 90 Afs per family per month for the hydro-power supplied. Since the project is in the final stages of completion, only projected benefits are discussed. While the threat of floods to the lands and village inhabitants is recognized by the community, the threat of floods to the installed MHP is not factored in. While the priority of the community is rightly identified, the planning, implementation and management of this type of sub-projects need to be strengthened with adequate facilitation support.

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Asger Christensen	Lead Social Development Specialist	SASAR	Team Leader
Talib B. K. Esmail	Senior Operations Officer	SAROQ	Institutional Spec.
Abdul I. A. Haji	Consultant	AFTH3	Financial Management
Shawkat M.Q. Hasan	Procurement Spec.	SARPS	Procurement
Santhanam Krishnan	Consultant	SARPS	Procurement
Peter J. Middlebrook	E T Consultant	SASPR	Data analysis
Subhash Mittal	Consultant	SARFM	Financial Management
Hadi Abushakra	Chief Counsel	LEGMS	Legal
Christophe E. Bosch	Senior Water and Sanitation Economist	ECSSD	Env. Safeguards
Suzanne F. Morris	Senior Finance Officer	LOAG2	Loan Disbursement Unit
Theodosia Karmiris	Program Assistant	SASAR	Administrative Support
Supervision/ICR			
Norman Piccioni	Lead Operations Officer	SASAR	Team Leader (II)
Nihal Fernando	Senior Rural Development Spec	SASAR	Team Leader (II)
Susanne Holste	Sr Transport. Spec.	SASEI	Team Leader (III)
Mir Ahmad Ahmad	Operations Officer	SASAR	Operations
Zabiullah Ahrary	Team Assistant	SACAF	Administrative Support
Deepal Fernando	Sr Procurement Specialist	SARPS	Procurement (incl.ICR)
Quamrul Hassan	Procurement Specialist	SARPS	Procurement
Dhirendra Kumar	Consultant	SARPS	Procurement
Manoj Agrawal	Consultant	SARFM	Financial Management
Vardah Khalil Malik	Assoc. Investment Officer	CMERI	Financial Management
Kenneth Okpara	Senior Financial Management Spec	SARFM	Financial Mgt. (incl.ICR)
Suzanne F Morris	Senior Finance Officer	LOAG2	Loan Disbursement Unit
Amit Ramchandani	Finance Analyst	SARFM	Loan Disbursement Unit
Asta Olesen	Senior Social Development Spec	SASES	Soc. Dev. & Safeguards
Mohammad Arif Rasuli	Environment Specialist	SASES	Safeguards
Matthew James Keir Stephens	Social Development Spec.	EASSO	CDC By-Law
Mio Takada	Young Professional	YPP	M&E
Andrew Beath	Consultant	SASAR	Baseline Survey
Michael Haney	Sr Energy Spec.	SASEI	Micro-Hydro
Makiko Watanabe	E T Consultant	EASSO	Co-Financing - JSDF
S. Selvarajan	Consultant, Agricultural Economist	External	ICR Economic Analysis
Zabiullah Ahrary	Team Assistant	SACAF	SPN and ICR
Anna Cestari	Young Professional	SASDE	ICR
Asger Christensen	Lead Social Development Specialist	SASDS	Team Leader (I and ICR)

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY04	22	90.49
FY05		0.00
FY06		0.00
FY07		0.00
Total:	22	90.49
Supervision/ICR		
FY04	12	26.03
FY05	52	174.35
FY06	31	129.31
FY07	17	84.12
Total:	112	413.81

Annex 5. Beneficiary Survey Results

The governance impacts of NSP were assessed during the midterm evaluation undertaken for MRRD in 2005-06 by the University of York.¹⁵ The main evaluation findings (p.viii) were, that in communities reached by NSP there were significant evidence of:¹⁶

- Empowerment of CDCs,
- Improved community relations,
- Increased public faith in the system of government.

Case studies conducted as part of the mid-term evaluation of 18 CDCs in different parts of the country found that, while their composition and functions did vary between communities, the CDCs are emerging as legitimate local governance institutions.¹⁷ Thus, in eight of the communities, the CDC constituted the sole community leadership, while in another eight, leadership was shared with existing traditional leaders (*arbab/malik* and *mullah*), with the CDC's authority fully recognized in the area of participation in community development, while traditional leaders retained their leadership roles regarding representation to government and arbitration of disputes. In the remaining two, leadership was either contested, or that of the CDC was subsumed under traditional leaders. The efficacy of the CDC election process in curtailing the influence of the existing local leadership, or at least ensuring more inclusive participation by ordinary villagers, is supported by data from the Facilitating Partner International Rescue Committee (IRC), which operates in Districts in Khost and Logar. The CDC profiles indicate that 3% of CDC representatives in Khost and 1% in Logar were previously commanders, and 1% and 5% respectively are religious figures. Estimates by the Facilitating Partner UN-Habitat for CDCs in Herat province have 5% of the CDC representatives being commanders, mullahs, or large landowners, whereas information from the Facilitating Partner CARE for Districts in Ghazni has local elites constituting 50-70% of the CDC representatives.¹⁸

The mid-term evaluation also found that “NSP communities have far more tools than non-NSP communities for envisaging problems, linking priorities, and planning. NSP communities are therefore less reactive and more proactive, and have a significantly more favorable opinion of the government that non-NSP communities do not share. The non-NSP communities have a strong distrust of government and little faith in its ability to address their problems” (p.11). This finding is paralleled in a report by the Center for Strategic and International Studies which states that “the CDCs and tribal *shuras* are seen as more responsive to Afghan needs than provincial governments and provincial councils, and in many cases are the only sign of improvement villagers have seen in the past five years”.¹⁹

¹⁵ *Mid-term Evaluation of the National Solidarity Program*, May 2006 (Final Draft Report, pp 337) by the Post-War Reconstruction & Development Unit, University of York.

¹⁶ Comparable conclusions are found in *Assessing the NSP: The Role of Accountability in Reconstruction* by Yama Torabi, Integrity Watch for Afghanistan, 2007 (www.tiri.org) (p.7, 24, 26).

¹⁷ In all surveyed CDCs, the elected female representatives had limited influence vis-a-vis the men, and this was particularly problematical in the Eastern Pashtun areas such as Nangarhar.

¹⁸ *The Role of Culture, Islam and Tradition in Community Driven reconstruction – A Study on the International Rescue Committee's Approach to NSP* by Kimberly A. Maynard, IRC, March 2007, p.15.

¹⁹ *Breaking Point – Measuring Progress in Afghanistan*, Center for Strategic and International Studies, Washington DC, February 23, 2007, p. 47.

There are also indications that the presence of NSP correlate with/contribute to the stabilization of a locality. Ministry of Education reports that throughout 1384 (March 2005- March 2006) there were 72 school attacks in 7 provinces followed by 73 school attacks in 26 provinces in the first half of 1385 (2006).²⁰ Although NSP by January 2007 had reconstructed 196 schools in 18 provinces, only 5 cases of attacks on NSP-built schools have occurred – even though 52 of the NSP schools were reconstructed in the five provinces of Kandahar, Helmand, Ghazni, Khost and Balkh, which count for more than 50% of the school attacks.²¹ This notwithstanding, the deteriorating security situation has at the same time affected the ability of NSP to operate in high risk areas. Between March and August of 2006, increasing security risks forced 11 Facilitating Partners to suspend operations in 42 Districts.²²

While the mid-term evaluation found that overall communities with CDCs had increased public faith in the system of government, there were significant variations between communities reflecting the attention and responsiveness of specific local administrations (p.74). However, across these variations, there is a ‘demand for good governance’ in the rural areas, and the majority of people interviewed both in communities with and without CDCs “clearly thought that a closer and more supportive relationship with government should be the norm” (p.76). The clearest indication of the extent to which CDCs have expressed this ‘demand for good governance’ is the Declaration issued by 300 CDC delegates from 33 provinces gathered in Herat during May 9-12, 2005, who proposed that:²³

- “According to Article 140 of the Afghanistan Constitution, which presents the concept of village councils, we request from His Excellency the President and the cabinet to decree that NSP CDCs are legally accepted as these Constitutional councils, since CDCs were elected according to international standards.
- We, the CDCs, ask the Government to involve CDCs in the planning process of the Government through local institutions.
- We ask to guide ministries of Health, Education, Public Affairs, Agriculture, Irrigation, Environment, Women’s Affairs, and Youth Activities to use the capacity of CDCs in planning and project implementation and also assist with CDC capacity improvement.
- We ask for Community Development Plans to be consolidated and used by the Government for improvement of the planning process at village, district and provincial levels.”

Considering that NSP was met with pronounced skepticism by villagers when implementation began in 2003, precisely because it was a government program, and that the often deep factional divisions within villages frequently render intra-village collaboration difficult, the evaluation findings and the demands from CDC representatives for institutionalization of the CDCs document a considerable achievement, which has the potential of being consolidated and expanded with regard to the local governance role of the CDCs. In turn, this process of ‘building the state from below’ would likely contribute to strengthen the overall legitimacy of the Afghan state.

²⁰ The *National Strategic Plan for Education in Afghanistan* (Draft), December 2006

²¹ Inf. from NSP Management Information System and Human Rights Watch Report (vol. 18, Number 6 C): *Lessons in Terror. Attacks on Education in Afghanistan*.

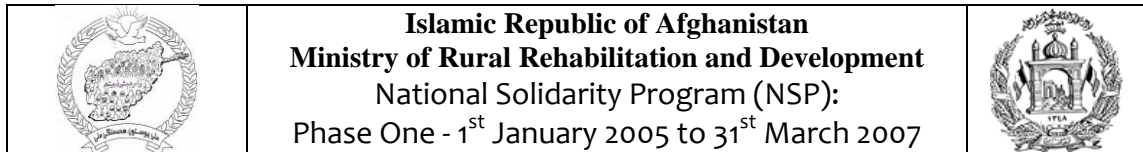
²² Maynard, 2007, p.13.

²³ Declaration of CDC Members from 33 Provinces in Afghanistan. Herat Solidarity Exchange: “The Future of CDCs”, 9-12 May 2005.

Annex 6. Stakeholder Workshop Report and Results

See Annex 5 on CDC workshop in Herat in May, 2005.

Annex 7. Summary of Borrower's ICR and Comments on Draft ICR



1. Introduction

The National Solidarity Program (NSP) began as a component of the Emergency Community Empowerment & Public Works Project (ECEPWP) in June 2002. It became a fully fledged National Priority Program (NPP) in 2003 under Afghanistan's National Development Framework. NSP promotes a new development paradigm whereby communities are empowered to make decisions and manage resources during all stages of the project cycle. The Program was designed to lay the foundation for a sustainable form of inclusive local governance, rural reconstruction, and poverty alleviation. NSP is today the largest community development program in the history of Afghanistan.

Usually the period from May 2003 to March 2007 is known as NSP Phase I, and the period from 1st April 2007 to 31st March 2010 is known as NSP Phase II. However, as the period till 31st December 2004 was actually under the ECEPWP, it is considered an NSP Phase 0, and the period from 1st January 2005 to 31st March 2007, covered by this Assessment, is formally known as NSP Phase I.

2. Progress Update

There is evidence of at least eleven sets of benefits which have been derived from the NSP I:

1. Increased public perceptions of *national solidarity* achieved through state;
2. Improved state-civil society relations as a consequence of improvements in *national solidarity*
3. Greater awareness of the activities of government as a consequence of the work of the Public Communication Unit.
4. The empowerment of rural communities through the establishment of a new legitimate form of *community governance*
5. Heightened perceptions of *community solidarity* achieved through processes of *community governance*
6. Delivery of governmental *capacity development* (provincial and district level MRRD, DAB and Ministry of Finance staff);
7. Delivery of FP *capacity development* (training);
8. Delivery of *community capacity development* (training);
9. Direct forms of economic development through improved productive capacity and the provision of work in relation to certain NSP projects;

10. Indirect forms of economic development facilitated by: a) increased economic activity arising from improved infrastructure, and b) savings derived from lower costs of production; and
11. Improvements in the quality of rural life.

The following table shows a summary of the progress of the program during NSP Phase I on a semi-annual basis for major indicators:

Period	Communities Mobilized	CDCs Elected	CDPs	Subproject Proposals Submitted	Subproject Proposals Approved	Subprojects Completed	Block Grants Disbursed (US\$ mil.)	Estimated # of families benefiting from social mobilization	Estimated # of families benefiting from projects
Jan-05	7,343	6,900	6,801	7,472	6,968	155	69.00	1,035,000	580,667
Jun-05	9,382	8,681	7,880	11,224	11,135	1,003	104.39	1,302,150	927,917
Dec-05	10,617	10,357	10,175	16,126	15,692	3,362	158.36	1,553,550	1,307,667
Jun-06	14,042	12,614	11,912	19,383	19,046	6,311	183.38	1,892,100	1,587,167
Dec-06	16,801	16,072	15,487	24,577	23,844	8,843	249.49	2,410,800	1,987,000
Mar-07	16,914	16,502	16,263	27,555	26,603	10,410	283.67	2,475,300	2,216,917

3. Assessment of Development Objective and Design

The main goal of NSP I was to reduce poverty through empowering communities with regard to improved governance, as well as social, human, and economic capital. The objectives of the Program were to: lay the foundations for a strengthening of community level governance and support community-managed sub-projects comprising reconstruction and development that improve the access of rural communities to social and productive infrastructure and services. The expected outcomes of the NSP I were: the establishment of a framework for village level consultative decision making and representative local leadership as a basis for interaction within and between communities on the one hand, and with the administration and aid agencies on the other, and local level reconstruction, development, and capacity building which will lead to a decrease in poverty levels. The design of NSP I consisted of the following four core elements:

- Facilitation at the Community level to assist communities establish inclusive community institutions in the form of Community Development Councils (CDC) through elections, reach consensus on priorities and activities, develop eligible sub-proposals that comply with NSP appraisal criteria, and implement approved project sub-proposals;
- A system of direct block grant transfers to support rehabilitation or development activities (sub-projects) planned and implemented by the elected CDC in cooperation with Facilitating Partners (FP);
- A series of capacity building activities to enhance the competence of CDC members for financial management, procurement, technical skills, and transparency;
- Activities, which link local institutions to the government administration and to aid agencies with available services and resources.

The Program attempted to target the needs of rural communities by employing community-driven development, delivered through a collaborative partnership, encompassing the central government, local and international non-governmental organizations (NGOs), and the communities – represented by newly elected Community Development Councils (CDCs). Today, the NSP forms the central component of an architecture of national programs managed by MRRD,

designed both to help the Afghan people to rebuild their lives and nation, and to demonstrate that the Afghan government, with technical assistance, could develop the inclusive governance structures required to sustain a stable state.

The evaluation of NSP I reveals significant gains to the Afghan people in relation to institution building (limited democratization), capacity development (mainly in skills development), and social solidarity at the national and community levels (and to a lesser degree at the provincial and district levels). Impressive benefits have also been derived economically by: creating livelihood opportunities and direct forms of economic development through improved productive capacity and the provision of work in relation to certain NSP projects; and the provision of indirect forms of economic development, facilitated by increased economic activity arising from improved infrastructure and savings derived from lower costs of production. Important gains in gender equality have also been achieved in certain regions. The NSP I was a distinctive program because the disbursement of block grants to rural communities was a policy instrument for both 'bottom-up' institution building through the creation of directly elected CDCs at the village level, and pro-poor economic growth. The Program was also distinctive in that it is implemented through the government and has nation-wide coverage. It was designed both to help the rural communities rebuild their lives and their nation, and to demonstrate that the Afghan government, with assistance, could develop the inclusive governance structures required to sustain a stable government. These are all important qualities for empowering institutions and sustaining development outcomes.

MRRD responsibilities included the formulation of rural development policies, strategies and guidelines; the coordination and monitoring of other implementing agencies working in rural development, as well as resource mobilization for the program. The employment of the NSP/OC was particularly important for the speedy implementation of the Program, and can be credited with much of the achievements of NSP I. Equally critical for the comprehensive progress of the Program was the contracting of NSP Facilitating Partners (FPs), whose role was to actually help the community go through the whole NSP experience.

The initial design of the NSP recognized that in an operating environment of chronic emergencies and media-led donor support, community participation is the key to the sustainable and effective rehabilitation of public sector service delivery. By placing the communities at the centre of the rehabilitation process, NSP potentially offered the government and other development agencies the opportunity to adapt their responses to the complex dynamics of long-term recovery. The real challenge for post-war reconstruction is to develop local institutional capacities for providing assistance to recovery processes, in a manner that reinforces rather than undermines the dynamics of recovery at the local level. This was something that NSP has certainly attempted in its first phase while focusing on the values and impact of moving away from demand-driven quick-impact aid packages towards a medium to long-term development continuum.

Overall, the development objective and design of the NSP I have been a success, given the difficult environment in which it operated. Nonetheless, some problems can be identified in the process of program formulation and inception, which have created various obstacles. The main tension between the rationale of the NSP and its implementation was derived from the limited time-frame established for its implementation, which had a major down-stream effect on the successful achievement of the original goal of the Program. What was fundamentally a governance and development program had to be rolled-out by MRRD with an emphasis on increased coverage and rapid disbursement of block grants to communities. This emphasis was a rational response to the political climate of the time and has reflected the critical need to provide a visible governmental presence in the provinces, districts and villages of Afghanistan. It was a

conscious political act of state building, seeking to build public confidence in a nascent government.

4. Assessment of Implementation and Operational Experience

NSP's successes have included mobilization over 10,600 communities, helping elect over 10,300 Community Development Councils (CDCs), helping communities complete over 10,200 Community Development Plans (CDPs), helping communities prepare and submit over 20,400 subproject proposals, approving over 20,600 subproject proposals, financing over 15,000 subprojects, and overseeing completion of over 10,300 subprojects. The communities mobilized have benefited from trainings in basic project management, accounting, procurement, CDC by-laws, and monitoring. At the end of the NSP I period, NSP had financed 22,458 subprojects with 25.5% of them in the water and sanitation sector, 21.21% in the transport sector, 17.33% in the irrigation sector, 15.09 in the energy/power sector, 10.47% in the education sector, 8.54% in the livelihoods sector, and the remaining in various other sectors. The total disbursements of block grants amounted to US\$ 283.67 million.

Another of NSP's strengths have been integrating women in leading development, with women members in the "mixed CDCs", and with women's subcommittees and executive members in separate gender CDCs. NSP has also supported the communities to benefit from peer learning by cross-visits to other CDCs in the district/province and sometimes even to neighboring districts/provinces. NSP has also equipped several communities to establish linkages with other development actors in the neighborhood. This has resulted in NSP CDCs also mobilizing funds and resources from other donors for other development priorities of their communities that were not financed by NSP block grants.

A nation-wide gathering of NSP CDC members (CDC National "Jirga") in August-September 2005 resulted in considerable media attention to highlight the needs/priorities of rural Afghanistan, the communities' vision for their own development, and their eagerness for increased responsibilities for CDC members and the CDC sustainability. NSP thus provided these elected representatives of rural communities from all over the country a platform to meet and speak to the central government ministers, and the President of Afghanistan.

During NSP I, the Program came to be recognized as the flagship program of the Government of Afghanistan. In November 2006, the success of the Program led the President of Afghanistan to pass a degree containing the CDC by-laws which recognized the NSP CDCs as the grassroots governance and development body of rural Afghanistan. In particular, CDCs are now legally in charge of supervision of development projects as well as all institutional and development actors shall now cooperate with CDCs at community level. This in turn consolidates the democratization process, strengthens the political participation of the rural population, creates a community based entry-point for development interventions as well as forms a network with sub-national administrations.

However, when it came to implementing the Program, the NSP faced a combination of some common implementation problems that are faced by large multi-faceted development initiatives. The main challenge to effective and efficient NSP financial management that existed in NSP I was that financial management and procurement responsibilities for the NSP were split between various entities (NSP OC, MRRD core departments etc). Continuous and significant delays existed in disbursements of block grants due to a variety of reasons including lacking of funding, lack of liquidity of available funding, delayed bank transfers, delayed request processing, delayed transfer or proposals etc. During the first few months of 2005, several changes were introduced to

improve the efficiency of the system. A simplified disbursement policy introduced with the revised Operational manual of early 2006 also further reduced delays.

NSP has faced accusations from a narrow section of the Government of Afghanistan (GoA) of not being cost effective in its delivery mechanisms. The accusation is not without merit when one considers that all delivery costs for NSP (OC, FPs, MRRD etc) continued to be incurred when there are no disbursements being made due to lack of funding availability or liquidity. The table below shows that there were no disbursements made for over 400 days during the NSP I period:

Period (2005)	No. of days	Period (2006-07)	No. of days
16 Jan 05 to 27 Jan 05	12	06 Jan 06 to 16 Jan 06	11
25 Apr 05 to 30 Apr 05	6	27 Jan 06 to 07 Feb 06	12
09 May 05 to 19 May 05	11	09 Feb 06 to 13 Feb 06	5
01 Jun 05 to 15 Jun 05	15	15 Feb 06 to 28 Feb 06	13
30 Jun 05 to 06 Jul 05	7	01 Mar 06 to 08 Apr 06	39
29 Jul 05 to 05 Aug 05	8	23 Apr 06 to 30 Jul 06	98
18 Aug 05 to 24 Aug 05	7	22 Oct 06 to 28 Oct 06	7
31 Aug 05 to 06 Sept 05	7	30 Nov 06 to 24 Dec 06	24
21 Sep 05 to 26 Sep 05	6	26 Dec 06 to 08 Jan 07	13
20 Oct 05 to 27 Oct 05	7	25 Jan 07 to 13 Feb 07	20
01 Nov 05 to 07 Nov 05	7	16 Feb 07 to 31 Mar 07	44
23 Nov 05 to 18 Dec 05	26	Total	405

5. Major Factors Affecting Implementation and Outcome

Lack of Clear Baseline: One of the main problems that the NSP I experienced was the lack of collection of accurate base-line data on the NSP processes, and this undermined the subsequent ability to plan and meet existing and future targets.

Funding Gaps: The lack of continuous liquidity of block grant fund floats was the most important factor affecting implementation. It caused delays in block grant disbursements often (thus resulting in frustration and lack of trust among the communities, and sometimes delays in project completion as funds were not available during the limited construction season); delays in payments to FPs (which then impacted their timely roll-out to contracted communities and adequate staff inputs and resources mobilized in the field thus affecting larger program outcomes); increase in the average per-community-delivery-cost of NSP (which then led to frustration among other Government Ministries as well as donors), etc. The following table shows the financial commitments from NSP I that need to be carried over to NSP II:

Financial commitments from NSP phase 1 as of 31 March 2007				
No	Item	Block Grant commitments	Block Grant disbursements	Balance
1	Remaining BG payments (average commitment of US\$26,000 to 17.400 communities minus actual net disbursements)	452,556,000	283,672,957	168,883,043
No	Item	Pending commitments	Expenditure	Balance
2	Remaining payments to FPs	71,590,701	51,304,729	20,285,972
3	Remaining MRRD Incremental	1,952,463	495,780	1,456,683

Operating Cost				
4	Remaining OC fees to GTZ-IS	14,495,698	8,187,136	6,308,561
5	Remaining payments for DSCRW	13,075,734	4,366,094	8,709,640
6	Remaining NSP operation costs	3,600,000	2,623,943	976,057
Sub total		104,714,596	66,977,682	37,736,913
No	Item	Loan	Repayment	Balance
7	Loan to NSP provided by the MoF to be repaid in 1386	41,900,000	0	41,900,000
Grand total		600,361,436	351,841,479	248,519,956

Security: The security situation in several areas of NSP I coverage considerably deteriorated over the reporting period. This led to program suspensions by FPs in several communities and districts for varying periods during NSP I. NSP I has also witnessed NSP FP staff being murdered or held hostage or receiving threats, offices attacked, burned, stolen from etc. The deteriorating security thus delayed the planned program activities in certain areas.

Delays in FP procurement and payments: For most FPs, the year 1 contracts expired in the 3rd quarter of 2004. Due to lengthy negotiations with FPs and administrative processing time, the contract amendments were not finalized on time, resulting in delays totaling 49 months for all 19 FPs concerned. Even after obtaining the Non-Objection-Letter (NOL) from the WB, contract amendments were signed after submission to (sequentially) MRRD, MoF, Office of the President and back to MRRD, causing additional delays totaling 41 months for all 16 FPs concerned. Consequently, work in 4,500 new communities of year 2 was delayed by an average of 3 months for each of the 16 FPs. As this could not be compensated through the “sub-projects pipeline” it delayed the implementation of over 2,000 sub-projects in about 1,200 communities, or in financial terms, USD 22 million worth in BG disbursements. In addition, payments of invoices for FPs services were often behind schedule. The resulting lack of liquidity became a serious obstacle for the mobilization work of the FPs.

Smaller value and larger number of sub-projects: During the NSP phase 1, more and more CDCs started opting for smaller value projects and using their block grant entitlements for 2 or more projects. This resulted in an average of 1.86 sub-projects per CDC for appraisal. In total 56.2 percent of the communities submitted more than one sub-project proposal. This nearly doubled the total number of proposals, which had to be consulted, submitted, appraised, approved and funds disbursed. The unavoidable consequence was an increase of the delivery costs in absolute figures but also per unit (i.e. per sub-project or per BG disbursed). On the other hand, this had positive governance impacts, since communities undertook planning and management of sub-projects more than once, and it allowed to respond to the needs of a larger part of the community.

Insufficient engineering capacity: Most sub-projects involved construction work and therefore demanded engineering capacity with FPs to assist communities in developing quality proposals, and field engineering capacity with NSP and MRRD provincial offices to appraise proposals and to supervise their implementation. During large periods in NSP phase 1, the engineering capacities were insufficient in terms of quality and quantity, which lead to delays in approvals and revisions.

6. Lessons Learned

6.1 Lessons learned and recommendations at framework level (“upstream”)

No.	Lessons learned	Recommendations/ Possible Changes for NSP II
1.	The most significant delays of the NSP are not caused by the difficult working environment but by factors related to the overall framework at government and donor level and therefore are beyond the authority of the NSP management.	<ul style="list-style-type: none"> ▪ The strong commitment of World Bank and donors to the NSP should be matched by a timely fulfillment of agreed obligations with regard to funding. ▪ The strong commitment of the GoA should be matched by more coordination between Ministries and more consistent expectations.
2.	The insufficient replenishment of Block Grant funds is the single most significant bottleneck of the program; hindering all implementation levels and threatens the acceptance of the NSP as a whole.	<ul style="list-style-type: none"> ▪ Responsibility for tracking the overall program budget, donor commitments, and disbursements should be consolidated with the NSP management. ▪ All NSP planning efforts are void without a timely replenishment of BG funds, which should be guaranteed by upfront fulfillment of donors’ commitments. Fund raising should be professionalized and consolidated in a single office.
3.	Drastic changes in expectations of the political level and the donor framework (e.g. nation-wide roll-out) affect the direction and effectiveness of the NSP.	<ul style="list-style-type: none"> ▪ Program objectives should be defined in a clear and unequivocal way and should be maintained in the medium-term.
4.	Delivery of immediate results for communities and the sustainable building of capacity are conflicting elements, which need to be balanced carefully.	<ul style="list-style-type: none"> ▪ The incentive to provide rapid results on the ground should not take precedence over the capacity building. ▪ In the medium and longer term capacities at community level are the condition for sustainable and cost-effective delivery of development interventions.
5.	Key program targets (BG disbursement, roll-out) should reflect the actual time required for community mobilization and sub-project implementation.	<ul style="list-style-type: none"> ▪ NSP performance targets need to take into consideration a feasible and more realistic implementation period. ▪ Targets should be specified in ranges rather than absolute numbers. ▪ The roll-out plan needs to adhere more consistently to agreed selection criteria and should provide alternatives in case of non-accessibility of specific regions (e.g. for security considerations).
6.	Long delays in the approval of contracts for FPs cause dramatic limitations throughout the implementation framework.	<ul style="list-style-type: none"> ▪ FP contracts should be set for a period of at least two years with safeguards in case of non- performance. ▪ Procedures for processing contracts should be less bureaucratic avoid duplicated evaluations and clearly define responsibilities. ▪ The NSP management should have the authority in approving at least contract amendments.
7.	Long delays in the procurement process for critical goods hamper the working conditions of the delivery structure.	<ul style="list-style-type: none"> ▪ NSP procurement responsibility and authority should be integrated into the NSP management with frequent external supervision. ▪ In issuing NOLs, the WB procurement department should better utilize its “institutional memory” and make filing systems more efficient.

No.	Lessons learned	Recommendations/ Possible Changes for NSP II
8.	The choice of institutional arrangements featuring performance based contracting of service providers for implementation (FPs) and management (OC/MSC) has enabled a rapid start and high level of NSP activities.	<ul style="list-style-type: none"> It should be more considered that the establishment of such arrangements takes time, and expectations regarding how quickly operations can begin on the ground need to be realistic.

6.2 Lessons learned and recommendations at the program management level

Nr.	Lessons learned	Recommendations/ Possible Changes for NSP II
9.	The decentralized approach for appraising and approving subprojects at PO level is functioning well and has achieved clear vertical lines of accountability.	<ul style="list-style-type: none"> Any further decentralization of responsibilities should consider how the NSP/MSC's experience and expertise can be utilized, and how such changes affect accountability.
10.	Slow transfers of BG funds from the DAB to provincial CDC bank accounts have been speeded up by obtaining a MoU from DAB on transfers within 2 weeks.	<ul style="list-style-type: none"> The agreement with DAB needs to be monitored and enforced. If DAB performance remains weak in certain provinces, alternative approaches should be identified. DAB should recognize that CDCS are public entities and allow the unlimited maintenance of CDC bank accounts at DAB branches.
11.	The web-based proposal tracking system allows HQ and provincial staff to track proposal status and address delays in a timely manner.	<ul style="list-style-type: none"> The system should be decentralized further through entry of key proposal documents in the MIS by the POs in order to eliminate the transfer of "hard copies" to HQ and thus reduce disbursement times/delays.
12.	The capability of the NSP MIS to produce reports for monitoring and for management decisions has not been fully utilized.	<ul style="list-style-type: none"> The MIS and tracking system should be extended to cover the complete service delivery chain (from CDC mobilization to BG disbursement). More standard MIS report templates should be developed to support management decisions and inform stakeholders on key performance indicators. The MIS should be expanded in order to produce data with regard to the relevant I-ANDS benchmarks.
13.	Frequent ad hoc requests of MRRD and donors on the MIS distract the department from its core tasks.	<ul style="list-style-type: none"> The ToRs of the MIS and reporting requirements should be defined more precisely and adhered to. Ad hoc requests on specific reports should be reduced to the minimum.
14.	The MIS can be further focused on its core tasks by allowing more data entry by Provincial Offices.	<ul style="list-style-type: none"> Expanding the data entry at PO level allows MIS at HQ better response to the immediate needs of NSP management reduces over all MIS costs, strengthens the NSP ownership at provincial level.
15.	Insufficient use of management and planning instruments hampers management decisions and communication with the implementation framework.	<ul style="list-style-type: none"> Existing planning instruments need to be expanded (work plan, disbursement plan, procurement plan) and new ones be introduced.
16.	Program delivery costs relative to total costs and in relation to BG funds were	<ul style="list-style-type: none"> The costs of NSP management can be reduced by either adjusting the provided capacity of the sub-project pipeline to the expected BG flow or by ensuring the replenishment

Nr.	Lessons learned	Recommendations/ Possible Changes for NSP II
	slightly higher than expected.	of BG funds at the intended level.
17.	The complicated monitoring of FP contracts distracts FP management from direct communication with FPs.	<ul style="list-style-type: none"> FP contract monitoring should be simplified further by restricting it to monitoring of outputs (milestones) and introduction of certification of FPs.
18.	Complicated procurement rules of goods and services for sub-projects represent a high burden for CDCs and FPs.	<ul style="list-style-type: none"> Sub-project goods procurement should be simplified by not tying it on World Bank procurement procedures, allowing simplified procurement on the basis of standard prices, more simple and standardized contracts for suppliers, training for CDCs and FPs.
19.	The banking system continues to be a bottleneck for BG transfers to communities.	<ul style="list-style-type: none"> Specific projects to improve the efficiency of DAB and to establish private banks are necessary.
20.	The insufficient engineering capacity in terms of quality and quantity has been a major bottleneck for planning and monitoring sub-projects.	<ul style="list-style-type: none"> Engineering capacities should be further improved and supported by decentralizing engineering checks further, developing instructions for engineering checks of complex projects, introducing certification of contractors, more standard sub-projects, improving the construction cost data base, standard contracts.
21.	The M&E function of NSP has been too much focused on monitoring and neglected evaluation.	<ul style="list-style-type: none"> The structure and mandate of the M&E department should be re-designed; monitoring should be decentralized as much as possible, broader evaluation studies to be outsourced and M&E at HQ to increase its coordination function.
22.	It has been difficult to sufficiently provide capacity building alongside NSP implementation.	<ul style="list-style-type: none"> The NSP training function should be further strengthened by replacing the cascade system with training modules, focusing the training department on facilitating of contracted training providers and by decentralizing training to the regional level.

6.3 Lessons learned and recommendations at Facilitating Partner and CDC level (“downstream”)

Nr.	Lessons learned	Recommendations
23.	Initially the periods of time between selection of communities and election of CDCs were underestimated.	<ul style="list-style-type: none"> It is essential that adequate time is anticipated and reserved for mobilizing communities. This ensures that program targets are based on a feasible timeframe.
24.	The initial project design did not anticipate the interest of communities to propose more than one sub-project. The higher number of proposals (average 1.7) increased the workload for approval and BG disbursement as well as the program delivery costs.	<ul style="list-style-type: none"> The interest of the communities in several but smaller sub-projects should be accepted. A minimum value for each sub-project (e.g. USD 2,000) and/or a simplified approval process for small and standardized sub-projects should be considered. It should be analyzed whether multiple sub-projects reflect mature decision-making within the community or the failure to reach consensus on community priorities.
25.	The initial policy requiring three installments per sub-project delayed BG disbursement and sub-project	<ul style="list-style-type: none"> The reduction to two installments in the OM version of Jan 2006 should be continued and the results be evaluated.

Nr.	Lessons learned	Recommendations
	implementation.	
26.	It proved to be difficult fully utilizing the expertise accumulated within communities and FPs.	<ul style="list-style-type: none"> ▪ In NSP II, a more systematic identification and documentation of experience and of best practices as well as a regular exchange between FPs and between CDCs are necessary.
27.	It remained a challenge for FPs to balance the need for high engineering quality of sub-projects with the need for rapid achievement of outputs.	<ul style="list-style-type: none"> ▪ Engineering capacities of FPs should be further improved and supported by providing training, providing more technical manuals, further standardization of sub-projects.
28.	Involvement of women in decision-taking needs to be strengthened in ways which are not threatening cultural values on gender relations.	<ul style="list-style-type: none"> ▪ The project should draw still more on experiences by FPs to refine its facilitation techniques for the promotion of women's participation
29.	The NSP alone cannot guarantee the institutional sustainability of the elected CDCs as local level governance bodies.	<ul style="list-style-type: none"> ▪ To ensure the sustainability of CDCs beyond the project period the roles of CDCs should be strengthened: as entry-point for other line ministries and development interventions for communities (health, education etc.), linkages with local and regional administrations, involvement in government services provision.

7. Conclusion

In conclusion, the MRRD would like to restate that it considers NSP I a success in its design, objective and implementation, considering the framework conditions in which it worked. The MRRD is thankful to the donors (the World Bank, the contributions through the ARTF and bi-lateral donors) and the GoA for their support in financing the program and/or providing oversight through the Inter-Ministerial and (later) the NSP Steering Committee. MRRD also acknowledges that a considerable portion of the achievements of NSP Phase I must be attributed to the German Technical Cooperation International Services (GTZ-IS) that formed the NSP OC, and a further acknowledgement to the 24 NSP Facilitating Partners over this period. Shortly after the NSP I period, the NSP received a nomination for the IBM Innovations Award for transforming Government. While the nomination was received just when NSP II started, it speaks volumes of the success and recognition of NSP I in reaching its governance objectives.

In spite of its achievements, the MRRD still recognizes that NSP I was plagued by a number of problems in its operations and implementation. The Ministry is committed to taking measures to correct or minimize these problems during NSP II. However, it should be noted that almost all of the problems faced in NSP I will require joint efforts from the donors, the MRRD, the MSC, the FPs, and other NSP stake-holders to resolve. The MRRD seeks more coordinated efforts from all stake holders in this regard.

MRRD Comments on Draft ICR

NSP has noted with great concern that the risks to its development objectives has been rated as significant. NSP agrees that a lot more action and coordination needs to be undertaken to reduce these risks.

The NSP has noted that the Bank believes that the NSP MIS has not been an effective tool to provide inputs for an assessment of the achievement of the project outcomes. This has been because no clear framework was provided during the MIS set-up, and hence it evolved based on reporting demands at that time (which were so focused on block grant disbursements and subprojects, rather than larger outcomes). NSP commits to working more closely with the World Bank's M&E and MIS experts to ensure that our MIS and M&E systems/departments are more effective in future.

As recommended in the ICR, NSP will be focusing on more external assessments to provide the program expert opinion on focused areas.

The recommendation (# 7) of a more operational forum to define practical coordination of rural development on an ongoing basis is indeed welcome (p. 18). It would be important to have the "buy-in" of all the TTLs of the relevant Bank-financed programs in such a forum. MRRD requests the Bank's NSP team to advice on how this may be realized.

When reviewing the outputs by components (Annex 2), it is obvious that the only two targets that were not met (i.e. number of subprojects completed and total block grant commitments) were primarily due to lack of continuous and adequate financing. NSP is acutely aware of this problem and is seeking donor support even at this juncture when funding is temporarily adequate.

NSP especially appreciates the economic and financial analysis (Annex 3) undertaken as part of the ICR. The estimated average ERR is impressive, and it is important for us to have this kind of data, compiled by experts outside of NSP, to relay to potential donors and critics.

The NSP also takes this opportunity to thank the Bank for acknowledging MRRD's continued commitment to the NSP and the corrective measures already taken to improve program implementation.

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

Comments by NSP Cofinanciers

European Community: Overall, it is a very good summary of challenges and impacts of NSP associated with a lucid assessment. Especially Part 4 on page 15. It is the first time that I read so clearly on the challenges ahead namely on sustainability.

Impact on poverty reduction on page 11 might be more detailed and analyzed. An example is electricity in the form of generators: which are the real impacts on poverty reduction and how. Often generators are on in the evenings and therefore do not allow much of a productive activity during the days like cottage industry etc., plus we know that the communities do not always have the means to pay for the fuel and sometimes for the maintenance. Again, on the issue of sustainability, the mentioning of the low quality of engineering also has a detrimental impact on the sustainability of initial impact on poverty reduction.

This concern is not recent. There is a need for analytical work on poverty impacts, and so far we are too general in this particular side of the NSP.

At this stage of implementation of NSP we should really know the real impact on poverty reduction and how since this aspect was one of the questioned aspects of the NSP.

Swiss Agency for Development and Co-operation: We fully agree with the outcome of the report, but would like to highlight three areas which attract our attention:

- 1) Financing shortfalls caused not only delays for the project implementation but also damage for the credibility and image of NSP respectively of the Facilitating Partners. We appreciate that this issue is properly addressed in the report.
- 2) We equally welcome the comments with regard to monitoring and the Management Information System. Though a lot has been done we believe that there will be still space for improvement - on all levels from output to impact-monitoring.
- 3) As the report rightly points out, the future and sustainability of the CDCs remain somehow uncertain and have to be seen in the context of a coherent governance structure. It is of great concern for us if "the validity of the NSP itself is continually questioned by other provincial level ministries" and we welcome all efforts to bring some light into this discussion.

Comments by NSP Facilitating Partners

Assessment of development objective and design

The general consensus amongst the Facilitating Partners (FPs) is that the program design is strong and the NSP is effectively laying a foundation for national governance. However, the impact of the program on poverty alleviation is more difficult to ascertain as no substantial economic benefit analysis has been done to date.

The major strengths of the program design are the transfer of funds directly to communities, enabling a strong sense of ownership of the program, and the democratic elections through secret ballots which ensure that poor and marginalized peoples are included in decision-making processes. However, a major weakness of the program remains the failure to develop mechanisms to adequately incorporate the significant influx of returnees (both internally displaced people and returning refugees).

The most significant flaw with the program design is the failure to ensure recognition of the CDCs by other donors and government ministries, which significantly affects the sustainability of the program. Another problem with the design is the indicators, which remain focused on infrastructure development rather than achievement of governance objectives. Limited tools exist to assess the quality of training or the actual capacity of CDCs, which should be addressed as a priority in the next phase of the NSP.

Assessment of implementation and operational experience

Implementation of the NSP has been enormously successful, with rapid expansion enabling it to reach more than 17,000 communities by 31st March 2007. Despite significant problems (detailed below) and the urgent need for consolidation of existing CDCs, the FPs in general remain committed to the program and to supporting the CDCs through additional complementary programming.

Delayed transfer of block grant funds: The major problem with implementation has been the enormous delays in transferring block grant funds to communities, which undermined the credibility of all stakeholders in the program, particularly government, facilitating partners and CDC members. The delay in funds transfer also increased program costs by extending the time required for CDCs to utilize their block grants.

Delayed payment of FP invoices: The quality of the facilitation also suffered due to continual delays in payment of FP invoices, which prevented FPs completing recruitment of essential staff. For smaller agencies, particularly national NGOs, this resulted in FP staff working without salaries or sufficient resources (such as vehicles and computers) demonstrating considerable commitment to the NSP and to rural communities. But the situation undermined morale and contributed to the loss of experienced staff from the NSP.

Overly complex operational procedures: Despite extremely low literacy levels amongst the rural population, NSP procedures require a high number of complex forms to be completed for CDCs to receive and account for block grant funds. Despite recognizing the need to simplify forms and procedures, the World Bank recently requested increased CDC reporting requirements and the provision of bank statements (wherever possible) to validate CDC expenditure, which will create further delays in the utilization of block grants by CDCs. The complicated forms and procedures of the NSP also limits the participation of poorer and marginalized groups, as they are less likely to have the necessary literacy skills.

Poor quality of projects: Communities generally lack the technical skills to adequately implement and/or select contractors for the projects of their choice, leading to significant problems with construction quality. This needs to be addressed through more intensive training, supervision and monitoring, but the shortage of experienced, qualified engineers in Afghanistan and restrictive budgets makes this difficult for FPs to address. The MRRD/NSP technical teams need to conduct additional monitoring of projects during implementation rather than simply focusing on monitoring after projects are completed.

Consultation with FPs: The original program design was developed through extensive consultation with a range of NGOs with experience in Afghanistan. However, the level of

consultation with FPs has varied significantly since implementation commenced, causing frustration amongst FPs about their inability to provide input to or be informed on the overall strategic directions of the program. Many FPs feel that their input on the future of the program is not considered in final decisions. FPs are further discouraged by negative attitudes towards NGOs, reflected in public statements by government and MRRD representatives.

Existing mechanisms for consultation should be further strengthened. Regular consultation with FPs should be used more effectively to share lessons learned and to provide guidance on key issues, such as human capacity development projects and increasing women's effective participation in the NSP. In addition, there needs to be greater commitment from all stakeholders for effective consultation between the World Bank, MRRD/NSP and the FP Representation Group to discuss the strategic direction of the program and higher-level issues impacting implementation. The MRRD/NSP should also share information more effectively with FPs, such as sharing the NSP MIS data.

FP contracts: The contracting of facilitation services for the NSP continues to be problematic, with significant delays resulting from protracted discussion and disagreement on World Bank procurement processes. For the NSP 2, final decisions on contractual processes created significant increased work for all stakeholders to prepare and review multiple proposals and contracts per FP. The increasing complexity and changing requirements and regulations of the procurement process increased the workload for FPs and the MRRD/NSP, drawing limited resources away from actual program implementation.

Monitoring of the program: Despite interest in the NSP as the only significant governance program in Afghanistan, monitoring remains focused on quantitative data such as the number of projects designed, implemented and completed, rather than measures of the quality of implementation. This is reinforced through FP performance targets of project and block grant completion, rather than indicators of the quality of training and/or community mobilization processes and the achievement of governance objectives.

Major factors affecting implementation and outcome

The lack of effective support for the NSP from other government ministries created delays with the approval of FP contracts and payments, and caused delays with projects requiring the approval of other ministries, such as the construction of schools and clinics.

Program implementation suffered from the lack of a long-term strategic vision, partially as a result of frequent changes in the leadership of the MRRD/NSP and World Bank teams. This is further exacerbated by a lack of data and adequate planning for program expansion, and changes in the funding environment.

The deteriorating security conditions have caused significant delays with implementation, particularly in the high-risks areas where implementation has been suspended for significant periods.

Lessons learned

Longer facilitation time: Communities choosing to implement multiple small projects through the NSP, combined with delays in block grant fund transfers, resulted in CDCs requiring more time than expected to utilize their block grant entitlements. In addition, more time is needed to establish the CDCs as effective, accountable governance structures with transparent leadership and participatory decision-making procedures.

Involvement of traditional leaders: The involvement of traditional leaders throughout the process is essential to ensure strong community ownership of the program. The initial mobilization process must be carefully facilitated in consultation with traditional leadership structures and influential figures to ensure that the NSP does not ignite conflict or further exacerbate existing tensions within communities.

Recruitment of local staff: Recruitment of staff from NSP districts contributed to the strong sense of ownership of the program and provided a significant measure of protection for the program and staff, but recruitment remains difficult due to a shortage of sufficiently qualified candidates, particularly women.

Gender: The NSP 1 provided surprisingly strong results for women's participation – where allowed to participate, women comprised more than 50% of voters in CDC elections. Revision of gender policies in 2005 resulted in the introduction of new structures for the CDCs, requiring the election of male and female committees for a single CDC wherever possible, and contributing to further increases in women's participation. Although women's involvement in the NSP is still problematic - women elected to mixed CDCs or women's committees are not always able to effectively participate in decision-making - the new policy has enabled a critical mass of women to become members of the decision-making bodies. In addition, women's direct implementation of projects has provided them with valuable practical skills and experience.

The effective involvement of women in the program is limited by budgetary constraints. FP budgets have not increased since the commencement of the program although, in the NSP 2, FPs will be expanding to more remote and insecure areas, resulting in higher costs for transport and other inputs. Despite the necessity of retaining female staff to ensure women's effective participation in the program, higher costs associated with recruiting women in Afghanistan (e.g. *maharam* salaries and higher travel costs) mean that female staff may be reduced due to limited budgets. Greater recruitment of women by the MRRD/NSP and FPs would provide a valuable model for communities and increase the potential for women's effective engagement in the CDCs, but specific policies may need to be adopted to ensure increased recruitment of female staff.

Many FPs would recommend the re-introduction of a specific budget (or portion of the block grant) for women's projects. Although this caused confusion for implementation in the past, there is general agreement on the tangible direct benefits of specific women's projects implemented to date.

The changing status of CDCs: The status of CDCs has been elevated as the program progressed and the implementation of block grant projects has delivered tangible benefits to communities. As a result, new CDC members commonly have higher status within the communities and more education than previously.

Security: Implementing the program in high risk areas required more innovative approaches by FPs, such as remote operations with limited physical monitoring of projects and reliance on alternative evidence (such as photographs) of work completed. However, such operational models may reduce the quality of program facilitation with subsequent negative impacts on governance outcomes. In addition, reduced contact by FPs necessarily limits project selection as communities lack the capacity to design or implement complex technical projects (such as Micro-hydro power) without intensive monitoring.

Proposed arrangements for future operations of the project

At the national level, MRRD is progressively taking greater responsibility for overall program management but this transition needs to be carefully managed to ensure the effective transfer of knowledge and capacity to local staff.

Due to World Bank restrictions on the overall NSP 2 budget, facilitation of the program will be limited to a two-year period for all new communities, despite evidence that this is insufficient. Continuing limitations on FP budgets are also problematic as quality facilitation requires an intense engagement with communities. FPs have repeatedly stressed the need for greater flexibility in the allocation of budgets to recognize the higher costs required to facilitate the program in remote or high-risk areas, but the MRRD/NSP continues to apply a rigid cap on FP costs regardless of location or other factors.

The planned expansion of the NSP to all remaining communities in the southern provinces will be extremely difficult with the current operational model. In order to achieve full coverage of the southern provinces, the MRRD/NSP, World Bank, and FPs should again consult and agree alternative models of program delivery to ensure coverage can be met. It should also be noted that consultation on future priorities for the program would be strengthened through effective consultation with all stakeholders, with FPs particularly concerned that full coverage become a priority for all rural districts, not just those in the southern provinces.

Proposed arrangements for the sustainability of the major outcomes of the project

As of 31st March 2007, the proposed arrangements for ongoing support to the CDCs are inadequate to ensure their sustainability. The NSP Transition Strategy outlines how FPs will cease facilitation at the end of their current contracts, although 80% of the original CDCs have not fully utilized their block grant entitlements after three years of support. After the withdrawal of the FPs, the MRRD/NSP will provide limited support (not including technical design or training) to CDCs to complete their block grant entitlements. Although not satisfactory for the sustainability of CDCs, the strategy was developed due to communication from the World Bank that no additional funding could be provided for longer facilitation periods with communities. For all new communities to be covered in the NSP 2, facilitation will be limited to a two-year period despite evidence that the majority of CDCs will be unable to complete their block grant entitlements in that period.

The most effective method to contribute to CDC sustainability would be ongoing financial and capacity-building support, and agreed mechanisms for coordination with other donors (both government and non-government). To date, MRRD/NSP and FPs are the main development actors that recognize and support the CDCs, while all other ministries' engagement at the district level is through traditional shura, which undermines the credibility and effective functioning of the CDCs. As the sustainability of CDCs relies on their recognition by and genuine engagement with other government actors, the support of the NSP Steering Committee should be translated into agreed practical mechanisms for coordination at the provincial, district and community level. In addition, there needs to be established mechanisms for CDC's engagement in development planning and implementation at the district level and provincial levels. More effective coordination with the MRRD implemented National Area Based Development Program is necessary to ensure that the process incorporates existing CDCs and enhances the introduction of the NSP in areas where it has not yet reached.

Annex 9. List of Supporting Documents

Emergency National Solidarity Project:

Afghanistan Emergency National Solidarity Project - Technical Annex for a Proposed Grant of SDR66.1 million (US\$95 million equivalent), Report No: T7609-AF, November 26, 2003.

Memorandum and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Grant of SDR66.1 million (US\$95 million equivalent) to Afghanistan for an Emergency National Solidarity Project, Report No: P7609-AF, November 26, 2003.

Development Grant Agreement (Emergency National Solidarity Project) between Afghanistan and International Development Association, Grant No: H072-AF, January 20, 2004.

Afghanistan Second Emergency National Solidarity Program - Technical Annex, Report No: T7683 – AF, November 10, 2006.

Supervision mission Aide Memoires and Project Status Reports.

NSP Program Reports (Monthly and Quarterly), MRRD.

Afghanistan: Environmental and Social Safeguards Framework, 2002.

Operational Manual for National Solidarity Program, June 15, 2003 (revised December 2003 and December 2004).

The Expansion of the National Solidarity Program: Empowering Communities to Deliver the I-ANDS Benchmarks, MRRD, May 2006

Emergency Community Empowerment & Public Works Project:

Technical Annex for a Proposed Grant of SDR33.7 million (US\$42.0 million equivalent) to Afghanistan for an Emergency Community Empowerment & Public Works Project, Report No: T7535-AF, May 13, 2002.

Memorandum and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Grant of SDR33.7 million (US\$42.0 million equivalent) to Afghanistan for an Emergency Community Empowerment & Public Works Project, Report No: P7535-AF, May 13, 2002.

Development Grant Agreement (Emergency Community Empowerment & Public Works Project) between Afghanistan and International Development Association, Grant No: H009-AF, June 8, 2002.

Implementation Completion Report for the Emergency Community Empowerment & Public Works Project, Report No:33120-AF, July 17, 2005.

Other documents:

Interim Strategy Note for the Islamic Republic of Afghanistan for the Period FY 07-FY 08, World Bank, 2006.

Assessment of Microfinance and Income Generating Schemes as an Option for Community Sub-Projects under the Emergency National Solidarity Project. Kabul, NSP, January 2004.

Assessment of NSP Facilitating Partners: Common Final Report (including appendices on Lessons Learned and Key Recommendations), Altai Consulting, Kabul, August 2004.

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From Subjects to Citizens: Local Participation in the National Solidarity Program. Afghanistan Research & Evaluation Unit (AREU) Working Papers, Kabul, August 2004, by Inger Boesen.

Afghanistan Poverty, Vulnerability and Social Protection: An Initial Assessment, WB Report No. 29694-AF, March 7, 2005).

Fine-tuning the NSP: Discussions of problems and solutions with Facilitating Partners, AREU Working Papers, Kabul, November 2005, by Palwasha Kakar.

Breaking Point – Measuring Progress in Afghanistan, Center for Strategic and International Studies, Washington DC, February 23, 2007.

The Role of Culture, Islam and Tradition in Community Driven reconstruction – A Study on the International Rescue Committee’s Approach to NSP by Kimberly A. Maynard, IRC, March 2007.

Assessing the NSP: The Role of Accountability in Reconstruction by Yama Torabi, Integrity Watch for Afghanistan, 2007 (www.tiri.org)

Aiding the State? International Assistance and the Statebuilding Paradox in Afghanistan. AREU Briefing Papers, April 2007, by Hamish Nixon

Lessons in Terror. Attacks on Education in Afghanistan. Human Rights Watch report (vol. 18, Number 6 C):

“The Future of CDCs”, Declaration of CDC Members from 33 Provinces in Afghanistan. Herat Solidarity Exchange, 9-12 May, 2005.

Afghanistan – Assessment of the scope for strengthening the role of NSP Community Development Councils in local governance. Report for the World Bank TA on Public Administration Reform, June 2007, by Asta Olesen & Asger Christensen.

Afghanistan: NSP Assessment of District School Construction and Rehabilitation Window. Report for the World Bank, September 2007, by Sippi Azerbaijani-Moghaddam