

Document of
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Report No: ICR00003688

IMPLEMENTATION COMPLETION AND RESULTS REPORT

IDA-H6030, TF098459, TF098459-AF

ON AN

IDA GRANT

IN THE AMOUNT OF SDR 27.2 MILLION

(US\$40 MILLION EQUIVALENT)

AND

ARTF GRANTS

IN THE AMOUNT OF US\$1,107.3 MILLION

TO THE

ISLAMIC REPUBLIC OF AFGHANISTAN

FOR THE

NATIONAL SOLIDARITY PROGRAM III (P117103)

December 28, 2017

Social, Urban, Rural and Resilience Global Practice
South Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective December 21, 2017)

Currency Unit = Afghani

AFN 69.55 = US\$1

FISCAL YEAR

January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
ANDS	Afghanistan National Development Strategy
ARTF	Afghanistan Reconstruction Trust Fund
CCAP	Citizens' Charter Afghanistan Project
CCDC	Cluster Community Development Council
CDC	Community Development Council
CDD	Community-Driven Development
CDP	Community Development Plan
CBA	Cost-Benefit Analysis
CPF	Country Partnership Framework
DAB	Central Da Afghanistan Bank
DFID	UK Department for International Development
ERR	Economic Rate of Return
FM	Financial Management
FMA	Financial Management Agent
FP	Facilitating Partner
HRAIS	High-Risk Areas Implementation Strategy
ICR	Implementation Completion and Results Report
IDA	International Development Association
IE	Impact Evaluation
IOC	Incremental Operating Costs
ISM	Implementation Support Mission
ISN	Interim Strategy Note
JSDF	Japanese Social Development Fund
M&E	Monitoring and Evaluation
MCG	Maintenance Cash Grants
MHP	Micro-Hydro Power
MIS	Management Information System
MoF	Ministry of Finance
MRRD	Ministry of Rural Rehabilitation and Development
MTR	Mid Term Review
NGO	Non-Governmental Organization
NPP	National Priority Program
NSP	National Solidarity Program
PDO	Project Development Objective
PIU	Project Implementation Unit
PMU	Provincial Management Unit (of MMRD)
PRT	Provincial Reconstruction Team
TPM	Third-Party Monitoring
USAID	United States Agency for International Development
VC	Village Council

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DATA SHEET

BASIC INFORMATION

Product Information

Project ID	Project Name
P117103	NATIONAL SOLIDARITY PROGRAM III (P117103)
Country	Financing Instrument
Afghanistan	Investment Project Financing
Original EA Category	Revised EA Category
Partial Assessment (B)	

Related Projects

Relationship	Project	Approval	Product Line
Supplement	P159307-Third National Solidarity Project	29-Jun-2016	Recipient Executed Activities

Organizations

Borrower	Implementing Agency
Islamic Republic of Afghanistan	Ministry of Rural Rehabilitation & Development

Project Development Objective (PDO)

Original PDO

To build, strengthen, and maintain Community Development Councils (CDCs) as effective institutions for local governance and social-economic development.

FINANCING

	Original Amount (US\$)	Revised Amount (US\$)	Actual Disbursed (US\$)
World Bank Financing			
P117103 IDA-H6030	40,000,000	39,994,261	41,966,599
P117103 TF-98459	1,107,255,800	1,107,255,800	1,105,656,690
Total	1,147,255,800	1,147,250,061	1,147,623,289
Non-World Bank Financing			
Borrower	0	0	0
Total	0	0	0
Total Project Cost	1,147,255,800	1,147,250,061	1,147,623,289

KEY DATES

Project	Approval	Effectiveness	MTR Review	Original Closing	Actual Closing
P117103	29-Jun-2010	06-Oct-2010	16-Jun-2013	30-Sep-2015	30-Sep-2015
P159307	29-Jun-2016				

RESTRUCTURING AND/OR ADDITIONAL FINANCING

Date(s)	Amount Disbursed (US\$M)	Key Revisions
18-Sep-2015	41.97	Change in Loan Closing Date(s)
20-Nov-2015	41.97	Change in Results Framework Change in Components and Cost Change in Loan Closing Date(s) Reallocation between Disbursement Categories Change in Disbursements Arrangements Change in Institutional Arrangements Change in Implementation Schedule
29-Jun-2016	41.97	Additional Financing Change in Components and Cost Reallocation between Disbursement Categories
24-Mar-2017	41.97	Reallocation between Disbursement Categories

KEY RATINGS

Outcome	Bank Performance	M&E Quality
Satisfactory	Satisfactory	Substantial

RATINGS OF PROJECT PERFORMANCE IN ISRs

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US\$M)
01	11-Dec-2010	Satisfactory	Satisfactory	0
02	04-Jun-2011	Satisfactory	Satisfactory	11.67
03	23-Dec-2011	Satisfactory	Satisfactory	14.33
04	10-Jun-2012	Satisfactory	Satisfactory	20.95
05	18-Oct-2012	Moderately Satisfactory	Moderately Satisfactory	22.47
06	29-Apr-2013	Satisfactory	Satisfactory	40.33
07	16-Oct-2013	Satisfactory	Satisfactory	41.90
08	28-Apr-2014	Satisfactory	Satisfactory	41.90
09	13-Nov-2014	Satisfactory	Satisfactory	41.90
10	15-Jun-2015	Satisfactory	Satisfactory	41.97
11	26-Oct-2015	Satisfactory	Satisfactory	41.97
12	20-May-2016	Satisfactory	Satisfactory	41.97
13	28-Jun-2016	Satisfactory	Satisfactory	41.97
14	30-Mar-2017	Satisfactory	Satisfactory	41.97

SECTORS AND THEMES

Sectors

Major Sector/Sector	(%)
Agriculture, Fishing and Forestry	100
Irrigation and Drainage	19



Energy and Extractives	100
Other Energy and Extractives	14
Social Protection	100
Social Protection	20
Transportation	100
Other Transportation	21
Water, Sanitation and Waste Management	100
Other Water Supply, Sanitation and Waste Management	26
Themes	
Major Theme/ Theme (Level 2)/ Theme (Level 3)	(%)
Social Development and Protection	57
Social Inclusion	29
Participation and Civic Engagement	29
Fragility, Conflict and Violence	28
Conflict Prevention	14
Post-conflict reconstruction	14
Human Development and Gender	14
Gender	14
Urban and Rural Development	29
Rural Development	29
Rural Infrastructure and service delivery	29



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PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

A. CONTEXT AT APPRAISAL

Context

In the years following the December 2001 signing of the Bonn Agreement, successive governments made remarkable progress toward rebuilding a legitimate Afghan state and re-establishing public services. More than two decades of conflict and political instability had left infrastructure destroyed or damaged, the natural resource base degraded, public institutions weakened, and political authority fragmented. A severe drought from 1999-2002 had deepened rural poverty, and with the conflict, triggered massive population displacement and disruption of livelihoods. The Government, with donor support, developed and successfully implemented a series of priority national programs covering education, basic health services, irrigation, rural roads, and the National Solidarity Program (NSP).

At the time of appraisal of the third phase of the NSP (NSP III) in early 2010, Afghanistan remained extremely fragile. The insurgency continued to spread into previously stable areas and security conditions were deteriorating in much of the country, hampering reconstruction and development efforts. In response, the US and International Security Assistance Force (ISAF) had scaled up military operations across the south and east. The opium economy remained strong, despite efforts to eradicate poppy and promote alternative livelihoods. Governance and institutional challenges remained considerable.

The country's poverty and social indicators remained among the lowest in the world. In 2007-08, nearly half the population lived below 120 percent of the national poverty line. The great majority of the poor (84 percent) and of the overall population (80 percent) lived in rural areas.

The Afghanistan National Development Strategy (ANDS) for 2008-2013, completed in 2008, included support for rural reconstruction and improving rural livelihoods among the top priorities of the Government's reconstruction agenda, with the NSP the main vehicle for delivery at the village level. Central to the Government's approach in rural areas was a recognition that state legitimacy must be achieved through government performance, particularly through the provision of security and basic services to communities, with close participation by them.

The National Solidarity Program

The NSP was conceived and championed by the Minister of Finance and Minister of Rural Rehabilitation and Development in 2003. Following a successful pilot under the Emergency Community Empowerment and Public Works Project (P077533), the program launched on a large scale with the December 2003 approval of the Emergency National Solidarity Project or NSP I (P084329). This continued through March 2007. The project aimed to strengthen community-level governance and to improve the access of rural communities to social and productive infrastructure and services. Using a Community-Driven Development (CDD) approach, it channeled resources directly from the NSP in Kabul to democratically elected Community Development Councils (CDCs), platforms for inclusive decision-making at the village level. Non-Governmental Organizations (NGOs) served as Facilitating Partners (FPs) to build CDC capacity to prioritize and oversee implementation of investments. The Implementation Completion and Results Report (ICR) for NSP I, prepared in October 2007, rated the overall outcome of the project as satisfactory and the risk to development outcomes as substantial.

The second phase of the program, supported by the Emergency National Solidarity Project II (NSP II, P102288) was implemented from April 2007 to September 2011. The development objectives and program content remained largely



unaltered. Changes in the institutional and implementation arrangements aimed to strengthen the oversight function of the Ministry of Rural Rehabilitation and Development (MRRD), decentralize program management to the provincial level, cut program delivery costs, and adopt an operational strategy for insecure areas. The ICR for the NSP II, completed in May 2012, also rated overall outcomes as satisfactory and risk to development outcomes as substantial.

By appraisal of the third and final phase in early 2010, the NSP had established a strong track record and growing international support, and had become the largest development program in Afghanistan. The program covered around 22,300 out of an estimated total of 40,000 communities across 361 districts in all of Afghanistan's 34 provinces. It had provided US\$703 million¹ in block grants for over 50,000 subprojects involving water and sanitation, rural roads, electrification, irrigation, and human capital development, of which about 39,000 subprojects had been completed. External financing had reached \$1.1 billion, including \$358 million from IDA grants, \$618 million from the Afghanistan Reconstruction Trust Fund (ARTF) and \$124 million from bilateral donors. Demand for additional resources was strong, with some uncovered rural communities advocating for their inclusion at Jirgas (tribal councils).

Early results from an Impact Evaluation (IE) by Harvard University², underway since 2007 as a multi-year randomized study, showed positive impacts from NSP II. Findings from the first follow-up survey showed that as well as producing physical investments, NSP had made important contributions to the formation of social capital and to strengthening governance in communities. Specifically, it had: created avenues for women's participation and involvement in economic activities; increased participation by men in local governance; increased community responsiveness to women's needs; increased access to basic services; improved communities' perceptions of government; decreased out-migration of households within communities; and improved perceptions of the economic situation.

At appraisal, a tentative agreement had been reached among key ministries (MRRD, the Independent Directorate of Local Governance and the Ministry of Agriculture, Irrigation and Livestock) to promote a sustainable role for CDCs in the development of rural Afghanistan. This was expected to entail a gradual transformation of CDCs into Village Councils (VCs), envisioned in the 2004 Afghan Constitution as the primary governance unit at the village level, with roles and responsibilities that would continue beyond the end of the donor-financed NSP. The Government aimed to sustain the social capital created by the NSP and leverage it to support delivery of other national programs.

To advance this goal and reflect lessons learned in earlier phases, NSP III introduced these changes to the earlier design: (1) a push for complete national coverage of rural areas, driven by the Government priority of distributing resources equitably; (2) a second round of grants to CDCs that had successfully implemented their first ones; (3) and a focus on improving the institutional quality, sustainability and governance of CDCs, with an enhanced ability to engage with other institutions. This was expected to include a stronger role for women in NSP processes and possible expansion of an ongoing pilot to cluster CDCs with neighboring ones, to promote construction of larger works.

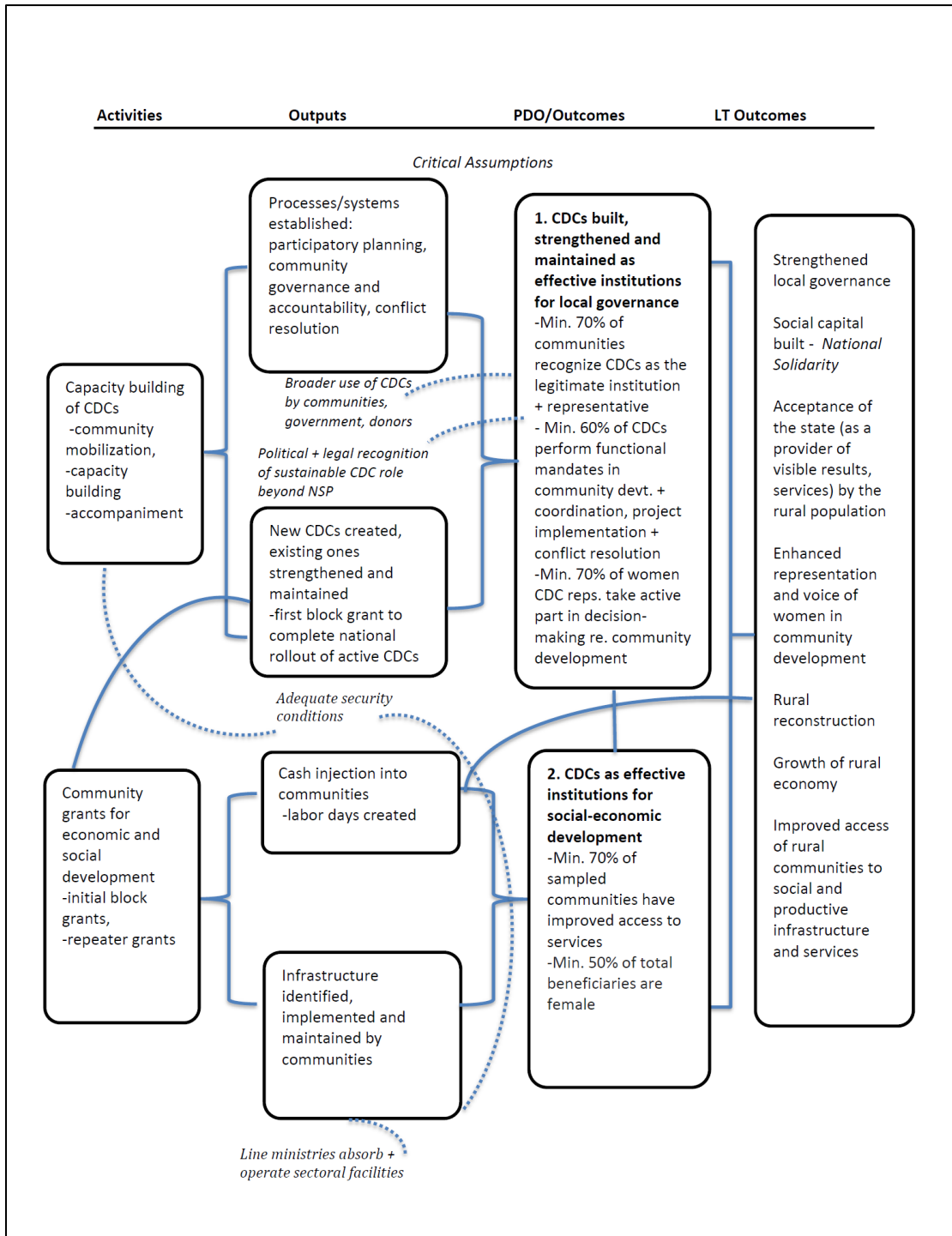
NSP III was fully aligned with the second pillar of the Bank Group's FY09-11 Interim Strategy Note (ISN) for Afghanistan, effective at the time of appraisal. This pillar was 'Promoting growth of the rural economy and improving rural livelihoods.' The NSP III was included in the ISN's lending program for FY 2010. NSP III closed at end-March 2017.

¹ All dollar numbers in this document are in US dollars.

² Beath, A., Christia, F., and Enikolopov, R. (2013). Randomized Impact Evaluation of Afghanistan's National Solidarity Programme. Washington DC: World Bank. Later findings are considered below.



Theory of Change



Notes: 1. Theory of change was not expressed in Project Paper but has been inferred from it; 2. Component 3 on project implementation support omitted for simplicity.



Project Development Objective (PDO)

The PDO of the NSP III was to build, strengthen, and maintain Community Development Councils (CDCs) as effective institutions for local governance and social-economic development.

Key Expected Outcomes and Outcome Indicators

The key expected outcomes, corresponding to the components described below, were: (1) CDCs strengthened to lead and manage socio-economic development, governance and funds at the community level; (2a) First block grant to complete national rollout; (2b) Infrastructure identified, implemented and maintained by communities; and (3) Management support provided for NSP implementation.

The outcome indicators and targets for PDO achievement were the following:

1. Minimum of 70 percent of sampled communities recognize CDCs as the legitimate institution and representative of communities;
2. Minimum of 60 percent of sampled CDCs perform their functional mandates in the areas of community development and coordination, and conflict resolution;
3. Minimum of 70 percent of sampled communities have successfully implemented community investment subprojects;
4. Minimum of 70 percent of sampled women representatives in the CDCs take active part in decision-making related to community development; and
5. At least 50 percent of total beneficiaries are female.

Components

The program had three components, with a total estimated cost of \$1.341 billion at appraisal. These were:

Component 1: Capacity Building of CDCs (\$291.1 m)³. This aimed to establish CDCs and, build their capacity to: (a) function as a village-level development governance body for continued empowerment of village communities, bringing their voices into the government decision-making process for subnational development planning, resource allocations and delivery of rural development programs, and (b) facilitate communities' participation in the various sectoral programs operating in rural areas (rural roads, irrigation, water supply, education, health etc.), to promote synergies and complementarity among programs.

Component 2: Community Grants for Economic and Social Development (\$1.093 billion, including \$164 million community contribution). This planned to provide block grants to fund priority subprojects to 27,720 CDCs, comprising:

- (a) A first block grant to 10,320 newly mobilized CDCs (NSP IIIA CDCs); and
- (b) A second block grant to 17,400 existing CDCs that were operating under NSP I and II, that had successfully utilized their first block grant and were maintaining completed subprojects (NSP IIIB CDCs). These communities had to hold re-elections, update CDPs and prepare community action plans before receiving the second grant.

Component 3: Project Implementation Support (\$122 million). This covered costs of management and oversight by MRRD, including salaries of all contractual staff it hired for the program, technical assistance to support MRRD's Program Management Office, MRRD incremental operating costs (IOC), monitoring and evaluation (M&E), an agreed share of salaries for contractual staff with broader headquarters functions and the construction of 34 Provincial administrative buildings (estimated at US\$8.1 million).

³ Costs in this section are estimates at appraisal. Revised and actual component costs are presented in the next section.



B. SIGNIFICANT CHANGES DURING IMPLEMENTATION

Revised PDO and Outcome Targets

The PDO and PDO outcome targets were not revised.

Revised PDO Indicators

One PDO outcome indicator was revised as part of the 2015 restructuring. 'Minimum of 70 percent of sampled communities have successfully implemented community investment subprojects' was replaced with 'Minimum of 70 percent of sampled communities have improved access to services,' a more outcome-focused measure. Changes to other indicators in the Results Framework, including the required introduction of WB core sector indicators to track aid effectiveness, are reflected in Annex 1.

Revised Components

The November 2015 restructuring introduced the Maintenance Cash Grant (MCG) scheme, in support of the Government's Jobs for Peace program, as well as scaling back program size to reflect a shortfall in total projected funding for the NSP III, primarily from the ARTF. Changes to components from this restructuring are described below.

Component 1: With FP contracts set to close at end-September 2016, the NSP's Provincial Management Units (PMUs) took on the role of supporting CDCs in developing maintenance plans to foster effective MCG use. PMUs (funded by Component 3) also took on the remaining work of FPs who had withdrawn from communities for security reasons.

Component 2: A new category of MCGs was introduced. The projected number of first block grants to newly mobilized CDCs was reduced slightly from 10,320 to 10,200. Second block grants to existing CDCs would be reduced from 17,400 to an estimated 10,000. To maintain flexibility, the amended grant agreement removed any reference to specific block grant targets. The MCG program aimed initially to cover 3,700 communities in 12 provinces.

Component 3: This was amended to cover expenditures by MRRD's Project Implementation Unit (PIU), the NSP, and its PMUs to support implementation of the MCGs, including overall management, oversight, technical assistance, monitoring and evaluation, IOC and construction of Provincial administration buildings. Funds for MRRD institutional strengthening under this component, up to \$1.94 million were earmarked to support MRRD's Change Management Program.

An Additional Financing (AF) of \$57.3 million in June 2016 aimed to expand the MCG program to an estimated 4,200 communities in 17 provinces. The AF added \$45 million to Component Two with \$5 million towards the MCG implementation support and the remaining balance of \$7.3 million to cover a financing gap under the larger project. under Component Three. The AF was funded by contributions to the ARTF by the United States Agency for International Development (USAID) and the United Kingdom Department for International Development (DFID). The project was restructured twice more, as listed on page 2, but this did not affect components or costs.

Table 1 shows evolving component costs.

Table 1. Estimated, revised and actual component costs (including community contributions but excluding bilateral funds)⁴

Component	Original Estimate	Final Revised	Actual
One: Capacity building of CDCs	\$291.1m	\$213m	\$212.5m
Two: Community Grants for Economic and Social Development <i>-of which community contributions:</i>	\$1.093b \$164m	\$794m*	\$902m \$108m
Three: Project Implementation Support	\$122.3m	\$143m	\$142.7m
Total	\$1.505b	\$1.149b*	\$1.256b

*Revised amounts did not include community contributions

Other Changes

Extension of project closing dates and reallocation of funds before closing: The September 2015 closing date of the project was extended twice, to March 31 2017: (a) The AF extended the cutoff date for disbursements by MRRD for MCGs to Dec. 20 2016 from Sept. 30 2016, the cutoff for Block Grants to August 1, 2016 from May 31 2016; (b) A further restructuring in 2017 further extended final MCG disbursements to March 31, 2017 and reallocated some funds among categories. The extensions were to accommodate implementation delays, due to security and other issues. They also allowed NSP to ensure that all subproject construction was fully completed, any remaining balances in CDC bank accounts were used or returned, the AF funds for MCGs fully disbursed and that there was a smooth transition of institutional arrangements to support implementation of the CCAP, approved in October 2016.

Rationale for Changes and Implications for the Original Theory of Change

The MCG program was developed in support of the Government's Jobs for Peace initiative, which aimed to boost aggregate demand and quickly create skilled and unskilled jobs, particularly in rural areas, in response to a deterioration in conditions, including: political uncertainty, a spreading insurgency, increasing insecurity, record unemployment, high food insecurity and an ongoing exodus of people from rural areas into towns, cities and neighboring countries. It was designed to be a quick-disbursing, labor-intensive public works scheme that would provide enough income to provide 2-3 months of food security to the households of those employed. MCGs, with a ceiling of \$10,000 each, were awarded to CDCs that had implemented their block grant allocation in 12 provinces.

The program used existing, well-functioning NSP implementation arrangements, including a robust fiduciary and monitoring oversight system at central, provincial, district and CDC levels, and a disbursement system that channeled funds directly from MRRD to community bank accounts via the Central Da Afghanistan Bank (DAB). The MCG program was created within a month of the Government's request, making it the first donor-funded program to respond.

Reduction in program size, largely affecting repeater grants. This was due to a projected shortfall in total funding amid a broader decline in external assistance for Afghanistan, accompanying the scaling down of international military presence. Prioritizing equity and the goal of complete national rural coverage by the NSP, the Government chose to reduce the number of repeater grants quite sharply, while only slightly reducing the target for first block grants to newly mobilized CDCs.

⁴ Slight differences in numbers shown here (source: NSP) and in the financing table on page 2 (source: World Bank systems) is due to different AFN exchange rates used for the program's float accounts by the World Bank and the Government, in part because three days would elapse between payment and conversion to (and receipt in) AFN.



The changes are consistent with and supportive of the original theory of change. The MCGs provide additional community grants for economic and social development that would provide an injection of funds to create short term employment, with the addition of a direct consideration for food security. The MCGs also increased support for the sustainability (through maintenance) of infrastructure in rural areas, as well as the institutional sustainability of selected CDCs through the injection of additional funds. The prioritizing of complete national rural coverage through preserving NSP IIIA grant levels at the expense of NSP III B grants is also consistent with the theory of change.

I. OUTCOME

A. RELEVANCE OF PDO

Assessment of Relevance of PDO and Rating

The first of the three pillars of the Country Partnership Framework (CPF) for Afghanistan (FY17-20), in effect at the time of project closing, is 'Building strong and accountable institutions.' As part of this, Objective 1.3 is 'Improved service delivery through enhanced citizens' engagement with the state,' to be achieved by 'building the capacity of Community Development Councils (CDCs) to implement, plan and monitor local service delivery and hold government to account.' This is close to the wording of the NSP III PDO.

Continuing support for CDCs in the current CPF builds on NSP's achievements in developing and delivering through them and attests to Government and donor commitment to them. The current CPF's context of declining security conditions, persistent corruption and still-limited alternatives for local-level service provision further confirm their relevance. The CPF includes the CCAP as the successor project to the NSP. The CPF outcome linked to the objective above, is specific to the CCAP: 'enhanced involvement of communities through their CDCs in the implementation and monitoring of key development activities in one-third of districts in the country and in selected urban areas.'

The relevance of the PDO with respect to the current WBG CPF for Afghanistan at closing is therefore rated as **High**.

B. ACHIEVEMENT OF PDO (EFFICACY)

The PDO can be split into two closely linked component objectives for clearer assessment: (1) CDCs built, strengthened and maintained as effective institutions for local governance; and (2) that CDCs be effective institutions for social-economic development.

PDO Objective 1: CDCs built, strengthened, and maintained as effective institutions for local governance

Main activities to build and strengthen CDCs were the mobilization, capacity-building and general accompaniment provided to CDCs by FPs under Component One. Over the project, 336,905 CDC members (212,202 men and 124,748 women) were trained in a wide range of topics relating to their roles, including participatory planning, gender awareness, monitoring, basic bookkeeping and contracting.

The block grants and MCGs under Component Two were the lifeblood for the creation and maintenance of CDCs. First grants under NSP III allowed for the establishment of 12,351 new CDCs (NSP IIIA CDCs), while repeater grants provided for 11,572 CDCs (NSP IIIB CDCs) to be re-elected. The MCG program provided grants for maintenance activities to 10,914 existing CDCs. Under Component Three, the NSP contributed by establishing, monitoring and enforcing standards and processes for CDCs, as well as managing FPs.



(a) CDCs built, strengthened, and maintained: The success and scale of CDC establishment under NSP III, amid a context of deteriorating security and declining international assistance, are impressive. The Government's priority of national coverage of rural areas was largely achieved (around 90 percent of rural areas) despite initial estimates of the numbers of CDCs needed proving low (see Section III). NSP is the only government program to have reached all the country's 34 provinces. The combined total of 158,229 CDC members newly elected under NSP IIIA and the 192,569 CDC members elected under NSP IIIB represents around 2.6 percent of Afghanistan's adult population in rural areas.

Repeater grants fell well short of the original target of 17,400, as the Government prioritized the rollout of first grants and the MCGs, which had an impact on the 'maintenance' of CDCs overall. However, the MCG program did provide an injection of funds that helped sustain many of these. Among the relevant Intermediate Results Indicators, the target related to CDC learning was met by the program's close, with 99 percent of CDCs (vs. the goal of 90 percent) trained on core and second phase training topics. See Annex 1 for further details of indicators, including sources and sample sizes, and Section IV (on M&E) for the multiple internal and external sources of results, performance and output level data.⁵

More broadly, and despite general success in meeting targets on CDC establishment, capacity-building and sub-project management, the size and frequency of block grants weakened CDC effectiveness and sustainability, and thus achievement of the 'strengthened' and 'maintained' elements of the PDO. NSP provided relatively large block grants (averaging around \$39,000) every 7-10 years, arguably too few and far between to institutionalize strong performance. (The Bank's Strategic Assessment of NSP III⁶ cites international literature on CDD that shows that new behaviors become institutionalized after at least three rounds.) CDCs were left without new NSP funding between grants, which typically took one to five years to implement. In addition, continuing with block grants of this size would have been fiscally unsustainable in Afghanistan at full national coverage.

To remain active one mechanism CDCs were encouraged to pursue was to build their own linkages with local government, PRTs, NGOs or other donors, which is considered further in the next section. Post-implementation reports showed that 80 percent of CDCs continued to perform their functional mandates one year after block grant completion (and FP withdrawal). The 2013 NSP II IE found a fading of favorable views of government agencies due to the NSP from the midline survey (2009) to the endline survey (2011), when most subprojects were closed and the second round of block grants had not yet disbursed, indicating a lapse in activity.

(b) CDC effectiveness as institutions for local governance: The project comfortably met the PDO outcome targets associated with CDC effectiveness for local governance.⁷ CDCs were generally perceived as legitimate by their communities, according to NSP's own monitoring reports. The PDO outcome indicator on this was exceeded by a wide margin, with 96 percent of sampled communities recognizing their CDCs as the representative in decision

⁵ Of particular note, given the extent to which assessment of PDO outcomes relies on the project's own data, is the physical verification by ARTF third party monitors of the robustness of the Management Information System, fiduciary systems at the provincial level, safeguard checks and sub-projects' quality and functionality.

⁶ Bradley, S. et al. (2015). Afghanistan - Strategic Directions for the National Solidarity Program: assessment of strategic issues and recommendations for future directions. Washington, DC: World Bank Group

⁷ 'Local Governance' can be broadly interpreted as the processes for conferring authority, setting and enforcing rules, managing resources and making and implementing decisions at the local level.



making and development of their communities. Among sampled CDCs, 80 percent were performing their functional mandates. Among women representatives, 79 percent took active part in decision-making.

All relevant targets for Intermediate Results Indicators were achieved by the program's close, apart from one. Among CDCs, 96 percent (vs. a target 80 percent) held new elections for leadership through democratic election and secret ballot at the appropriate time. Women made up 39 percent of CDC members nationally, against a goal of 38 percent. Against the goal of 30 percent of sampled CDCs attempting to form linkages with government and non-government actors, 71 percent formed linkages with government authorities and 59 percent with INGOs and other development actors. Conflicts raised in own communities were solved by 73 percent of CDCs, against a target of at least 50 percent. The program only missed the target of 70 percent of sampled CDCs conducting social audit meetings, with a final level of just 20 percent.⁸

As evident from the CDC functions set out in project indicators and documentation, as well as the legal framework (Box 1), the local governance role envisioned for CDCs under the NSP III was centered around development from the outset.

Despite expectations at the time of appraisal, CDCs have not become VCs, and these bodies are unlikely to be constituted soon, as the required formal nationwide village-level elections do not look feasible with current security and fiscal constraints. But though they lack the formal status of a level of government, CDCs continue to act as the primary community-level organization that helps the government deliver services at the local level. And being beyond the control of the NSP III, the aspiration of official, expanded 'VC' status was not an explicit objective.

CDCs and the NSP have generally been held in high regard within communities, contributing to positive views of government and greater understanding and adoption of democratic processes. The 2013 IE found that NSP strongly increased villagers' favorable view of government agencies at the midline survey (2009), before fading, as mentioned. The annual Asia Foundation Survey of the Afghan People⁹ found generally strong levels of confidence in CDCs among rural people, with 61 percent expressing confidence in them in 2010 and 58 percent in 2017, with minor fluctuations in between. These levels were close to the confidence expressed for community shuras/jirgas, much longer established traditional bodies, which started and ended the period at 66 percent. There is also robust evidence that NSP increased voting by men and women in the 2010 parliamentary elections. Several other studies show that NSP has been able to operate more effectively in insecure areas and is perceived more favorably by communities and stakeholders than other development programs.¹⁰

⁸ The NSP's explanation is that: 1) FPs did not have a clear understanding of the requirement for separate meetings, which was not made sufficiently clear in the OM or in training from the NSP; and 2) even if not held as separate meetings, social audit discussions were a norm in communities, typically at Friday prayers in mosques.

⁹ <https://asiafoundation.org/where-we-work/afghanistan/survey/>

¹⁰ Fishstein, Paul and Wilder, Andrew. 2012. *Winning Hearts and Minds? Examining the Relationship between Aid and Security in Afghanistan*, 51-52. Medford: Feinstein International Center, Tufts University



Several independent studies (using different sample sizes, carried out in different parts of the country and at different stages of project implementation) point to varying legitimacy and effectiveness for broader governance functions among CDCs in different areas of the country, with CDCs generally playing a more limited role in traditional and conflict-affected areas. A 2013 assessment by Altai Consulting that conducted fieldwork in 100 CDCs in six provinces found functions to range from a narrow role in just delivering local development to a broader one including dispute resolution and providing linkages between the community and higher levels of government. The study found that CDCs in Badakhshan and Bamiyan took on most governance roles at the local level, while those in Helmand were limited to organizing local development.

A 2016 evaluation of the work of the Swedish Committee for Afghanistan (SCA) as an FP in Wardak province found few to no broader governance outcomes resulting from NSP. Customary structures remained the primary source of all governance functions except in the delivery of aid and development projects, which were undertaken by CDCs. A similar conclusion was reached by a 2015 Oxfam evaluation of the work of that organization in Daikundi province, where CDC governance roles were also limited.

The lack of formal institutionalization and legal recognition of CDCs, beyond the CDC By-Law, remained a concern for their sustainability and effectiveness beyond the NSP. The Bank's 2015 Strategic Directions report notes that competition for external resources at the national level provides little incentive for line ministries to collaborate in strengthening CDCs or putting funds through them, as they are still seen largely as MRRD structures. MoUs were signed with the Ministry of Education, Health¹¹, Agriculture and Energy to build synergies at the community level for service delivery and, several other donor-funded programs have been implemented through CDC. Notably the IFAD-funded Community Livestock and Agriculture Project (CLAP) and the Support to National Agriculture Priority Program Project (SNAPP), which provide irrigation and other support for farming. However, other line ministries did not have a legally binding obligation to systematically work through CDCs from the beginning of the project.

Field studies (based on a sample of 100 CDCs) did show that even though CDCs did not achieve 'formal' status, and *"despite sometimes conflicting and nuanced assessments, a wide consensus in the literature and among*

Box 1: The Local Governance Role of CDCs

Afghanistan's 2006 CDC By-Law defines CDCs as "the social and development foundation at the community level, responsible for the implementation and supervision of development projects, serving also as a liaison between communities, the Government and nongovernment organizations." They also may have responsibilities for local dispute resolution amongst community members as well as assisting with identity, birth, and marriage certification however those responsibilities are highly variable across areas.

The NSP III project document and results framework specify two main governance functions for CDCs beyond development: (1) conflict resolution by CDCs within their communities; and (2) forming linkages with government and non-government actors. However, Annex B of the NSP OM, presents a list of CDC responsibilities focused entirely on development, including overseeing preparation of CDPs and subproject proposals and subproject implementation, as well as community consultation and accountability.

The legal and project framework for CDCs does not see them replacing existing informal and traditional authorities and institutions at the community level, some of which address broader governance issues. These include elders, warlords, shuras and jirgas. However, the government has aimed to consolidate parallel development/sectoral platforms (e.g. health shuras) under CDCs, and is moving forward with this in the CCAP.

¹¹ With the Ministries of Health and Education, a total of 6,344 classrooms, 94 clinics (costing est. US\$5.3 million) and three hospitals (costing US\$1.3 million in total) were constructed jointly.



stakeholders hold that NSP has increased participation in local governance decision-making processes, strengthened linkages between communities and formal and informal governance institutions, improved the access to utilities, infrastructure and services, and improved local perceptions of economic activities.”¹²

CDCs have been hampered in their efforts to coordinate ‘up’ by the continuing weakness of district-level governance. While the lowest tier of government and formal local governance remains the district level, efforts have focused on strengthening the provincial level.

NSP III piloted efforts to strengthen the linkages among NSP III CDCs, and make it easier for the Government to coordinate larger projects to serve multiple communities by grouping CDCs together, but these remained on a small scale. The Cluster CDC (CCDC) Pilot, funded by the Japanese Social Development Fund (JSDF), supported groups of five to eight CDCs in Balkh, Bamiyan and Nangarhar Provinces to implement subprojects with grants of up to \$168,000. An evaluation by York University found mixed results, but with strengths of clustering generally outweighing the weaknesses. Positives included execution of larger projects, strengthening of inter-community linkages and the filling of a “developmental vacuum” at the sub-district level. Negatives included tensions over subproject prioritization and susceptibility to elite manipulation.

3. PDO Objective 2: that CDCs be effective institutions for social-economic development

This objective was a goal of the capacity building under Component One and all grants under Component Two.

As covered in the previous section, CDCs did prove generally effective at executing their functional mandates related to social-economic development. The project met the relevant intermediate outcome targets. Among NSP IIIA communities, 99.6 percent (vs. the 80 percent goal) completed Community Development Plans (CDPs) as required and 98 percent completed at least one subproject (vs. 80 percent.) For NSP IIIB communities, CDP revision stood at 99.9 percent (vs 70 percent) and completion of at least one subproject at 99 percent (vs 70 percent).

More broadly, CDCs also succeeded in generating outputs and impacts that contributed to social and economic development. The project comfortably met the first of the PDO outcome indicators above, with 80 percent of sampled communities having improved access to services. The other target was narrowly missed, with 48 percent of beneficiaries being female. Over the implementation period, block grants worth \$832 million were implemented, with transport as the leading sector (32 percent), followed by irrigation (25 percent) and water and sanitation (20 percent.) The program generated over 66 million paid labor days for the local skilled and unskilled workers.

Block grants funded provision of infrastructure and services on a large scale. Grants were used to construct or rehabilitate 12,634 km of rural roads, with total beneficiaries of transport subprojects reaching 3.8 million for NSP IIIA and 4.2 million for NSP IIIB¹³. In addition, 39,449 community water points were built or rehabilitated, providing over 12.5 million people with access to improved water sources. The program constructed 7,953 improved latrines. Through canals and related infrastructure, 361,523 hectares of land were provided with new or improved irrigation or drainage services, benefitting 3.4 million people under NSP IIIA and 2.7 million people under NSP IIIB. In the education sector, 2,995 additional primary-level classrooms were built or rehabilitated. In addition, NSP III

¹² Altai Consulting, 2013. The Sustainability of CDCs. Kabul, Afghanistan: World Bank. p. 8.

¹³ There may be some double-counting in beneficiary numbers for NSP IIIA and NSP IIIB for transport and irrigation, which come from the NSP MIS. Combined numbers are not available.



supported the construction of 53 health centers and more than 4,200 community centers, and micro-hydro power (MHP) projects that helped generate over 15,800 KW of electricity.

The impact evaluation (IE) of NSP II¹⁴, completed in 2013, showed that the project resulted in tangible, positive impacts on the lives of beneficiaries. NSP-funded water projects specifically increased usage of protected water sources at midline and endline by an estimated 36 and 5 percentage points respectively. NSP contributed a five percent reduction in the collection of water time. The IE also showed increased access to education (four percent), health care and counseling services for women, as well as improved school attendance and quality of learning for girls. However, the IE revealed that NSP-funded infrastructure projects in irrigation and transportation (rural roads) appear to have been less successful.¹⁵

Close community engagement, oversight and community based monitoring promoted generally high quality in the construction of buildings and other works. Overall, ARTF Third-Party Monitoring (TPM) rated NSP-financed subprojects as ‘above average’ at 3.7 out of 5 for design, materials and workmanship. However, some FPs reported that design choices and implementation oversight of larger and higher-technology projects, particularly energy and irrigation, were sometimes beyond the capacity of CDCs and FPs.

Concerns about the quality of some infrastructure under the NSP III should be kept in perspective. In general, quality does appear to have been satisfactory. In many areas, the program – even by the third phase – brought electricity and other services to villagers who had never experienced them. Furthermore, even by the close of NSP III, there was no obviously better alternative to CDCs as a channel for social and economic development, as the reach of line ministries below provincial capitals remained limited, especially in conflict-affected areas. CDCs had become the main mechanism to extend the coverage of service delivery to rural communities.

The NSP made serious efforts to improve sustainability of sub-projects under the third phase, with some success. Against a target of 70 percent, 93 percent of the completed sub projects sampled were functional and used by communities at the project’s close. Sustainability of works had been identified as a challenge for the NSP in the Project Document and the NSP II ICR. In the third phase, the use of O&M plans as a requirement contributed to increased maintenance and subproject sustainability as did the incorporation of schools and health facilities into the education and health ministries’ planning and staffing under MoUs signed with those ministries. The MCGs also had a significant impact, with 12,830 works maintained or repaired under it. Monitoring reporting and NSP’s own monitoring shows that over 85 percent of the infrastructure built under NSPII and over 90 percent under NSPIII were still functional at the project’s close.

Justification of Overall Efficacy Rating

Overall efficacy is rated as **Modest**. The program was remarkably successful in an extremely challenging context at establishing democratically elected CDC for the first time after decades of conflict, extending their coverage across rural Afghanistan, and using them to deliver development efforts at the community level. However, the basic model of large and infrequent block grants, the lack of formal institutionalization and clarity about their local governance

¹⁴ While the IE focused on NSP II, findings remain relevant as the process for prioritizing, funding and implementing projects did not change significantly between NSP phases. In addition, the IE, including the endline survey, was completed within the NSP III period and the choice of endline survey questions was informed by the NSP III PDO.

¹⁵ A peer review commissioned by the NSP countered these findings, questioning the methodology used.



role beyond the project cycle, as well as insufficient cross-Government acceptance and continued dependence on donor funds did constrain CDC effectiveness and sustainability.

C. EFFICIENCY

Assessment of Efficiency and Rating

Average delivery costs under NSPIII are comparable to large CDD programs globally in secure environments. Under NSP III, excluding MCGs, the total delivery costs (i.e. all costs beyond block grants) for the core NSP stood at an estimated 28 percent at close, with FP payments at 20 percent and project implementation support at 8 percent.

ATOS Consulting undertook a comprehensive economic and financial analysis of the NSP III at mid-term (2014), based on completed sub-projects as of March, 2013. This report, presented in further detail in Annex 4, showed that: (a) when counting all non-block grant expenditure versus block grants disbursed under the whole of NSP, 44 cents were spent to deliver \$1 of block grants; but (b) when CDC creation and capacity building was not shown as delivery costs, around 20 cents was spent to deliver \$1, with the delivery costs under NSP III (FP and MRRD) then amounting to 16.5 percent of total NSP III costs.

The ATOS cost-efficiency analysis of NSP III found that the unit cost of its primary outputs was below or comparable with both domestic and international benchmarks. (See table in Annex). To undertake the analysis, the study used NSP's management information system (MIS) and financial data, combined with a sample survey of FPS' cost structure. The analysis examined NSPIII's cost efficiency in delivering CDD subprojects by linking NSP expenditure to main outputs. It found that core outputs of infrastructure projects were being delivered in a cost-effective manner.

A cost benefit analysis (CBA) of the four primary investment sectors of NSP III (power, water, irrigation, and transport) found an overall Economic Rate of Return (ERR) of 41.4 percent, and a Benefit Cost Ratio (BCR) of 2.5:1. The economic rates of return ranged from 30.8 percent for transport to 61.5 percent for irrigation. Power sub-projects were found to have an average ERR of 40.2 percent, while water sub-projects were found to have an average ERR of 40.5 percent. An average ERR of 15 percent was attributed to community centers. Local clinics were found to have an average ERR of 41 percent, while schools were found to have an average ERR of 17 percent. Quantifiable socio-economic impacts across these sectors range from 30.8 percent for transport to 61 percent for irrigation.¹⁶

Further, in comparison with schools, community centers, clinics, etc. constructed by the Provincial Reconstruction Teams (PRTs), the public infrastructure completed by the communities using NSP block grants proved to be lower cost but of similar quality. The higher costs of PRTs were due to their additional security requirements and use of large contractors, while communities contributed in-kind labor and locally sourced materials under the NSP.

Additional analysis undertaken for the Bank's Strategic Directions report (Bradley et al., 2015) found that average delivery costs for NSP III to date were comparable with other large CDD programs globally, and below those for other programs in just fragile and conflict-affected situations (FCS). Despite challenging conditions in Afghanistan, in terms of physical terrain, weather, infrastructure, security and institutions, the analysis found NSP III's investments in community sub-projects (i.e. the block grants) to be 74 percent of program costs, against 74 percent overall and 65 percent for FCS. Institution building and facilitation costs were above average overall, at 20 percent (vs. 16 percent) though below the

¹⁶It should be noted that the ATOS cost-benefit analysis and ERR showed stronger positive results than the NSP II IE.



FCS level (22 percent), and declining over time (NSP I was at 32 percent). NSP III's project management cost of 8 percent was well below the average of 10 percent and the FCS level of 13 percent.

This report also found that NSP's costs compared favorably with other relatively large-scale government-executed projects in Afghanistan and two comparable USAID-funded projects¹⁷ implemented by third-party contractors. NSP III's spending on basic services and infrastructure, at 73 percent of total project cost, exceeded the 69 percent average for government programs. Government program spending on institution-building and facilitation support was lower at 16 percent, while average program management cost was higher, at 10 percent. NSP III's 74 percent spending on 'community subprojects' roughly doubled the 23-42 percent range for different elements of the USAID projects.

Implementation Efficiency

Aspects of design and implementation that contributed to efficiency included the following:

- 1. Efficient financial mechanisms.** The NSP's system of direct payments from MRRD in Kabul to thousands of individual CDC bank accounts proved a swift and effective way to transfer funds, and was a key reason for the Government decision to distribute urgent additional funds via the NSP as MCGs from 2015. At the central level, NSP III continued the use of float accounts managed by a contracted Financial Management Agent (FMA), with three enhancements:(i) an increase in their ceiling; (ii) inclusion of FP payments and; (iii) payment of both BG and FPs from bilateral funds. This exceptional mechanism, allowed only for one other project, enabled the project to disburse funds quickly and efficiently, at times exceeding \$2 million a day. NSP estimates that float accounts reduced average payment processing time by two to four weeks, compared with the earlier system of payment via the MoF.
- 2. Simplification of FP contracts over NSP III.** The tiered approach of procurement of FPs for NSP III resulted in a total of 95 contracts for 28 FPs. In addition, there were another 80+ contracts from NSP I and II that had not been formally reconciled and closed. The management of these 170+ contracts was inefficient and time consuming. In 2015, proposed by the Bank and implemented by NSP, all NSP I and II FP contracts were formally reconciled and closed out. The remaining 95 NSP III contracts were merged into a single amended contract per FP, for a total of 28. Payment schedules were streamlined and standalone allowances merged into the unit rate per community.

Aspects of design and implementation that *reduced* efficiency included the following:

- 1. Continued reliance on a PIU structure of contracted staff within MRRD.** NSPIII was managed by a headquarters office in Kabul, 6 regional offices, and 34 PMUs, together including around 1,000 contracted staff, a structure that dwarfed the number of regular civil servants in the ministry. Such parallel PIU and civil service structures exist in most ministries in Afghanistan. While the program underwent a process of 'Afghanization' and gradual convergence towards regular civil service status and pay scales after 2014 (see Institutional Strengthening section), it remained costly and potentially unsustainable to operate. However, overall program management costs of NSP remained low by national and international standards, as considered above, and at least some of the extra costs of this structure may have been offset by increased effectiveness due to its ability to attract better-qualified staff.
- 2. Costs and delays of operating in insecure locations:** NSPIII introduced an allowance for the higher costs of operations of FPs working in high-risk areas of the country. To manage this, NSP assigned staff and resources to monitor the security

¹⁷ The Local Governance and Community Development (LGCD) and Stabilization in Key Areas (SIKA) projects.



situation in all NSP III districts. Increasing insecurity also brought higher costs for NSP staff transportation, due to increased air travel, frequent temporary suspension of FPs' work and the permanent withdrawal of FPs in over 3,000 communities with work still incomplete. MRRD then had to use its own staff - existing and new hires - at the district and provincial levels to complete the work themselves before the project closed.

3. Lack of liquidity between fiscal years. Despite the introduction of float accounts, the long gap - up to three months - between the close of financial transactions in one fiscal year and the availability of funds in the following one, continued to be a serious issue in NSP III, as it had been in earlier phases. It resulted in delays in block grant disbursements and FP payments, and to a lesser extent, staff salary payments.

Overall, efficiency is rated as **Substantial**, with strong efficiency performance at the levels of subprojects and the overall program, with a few issues as described above.

D. JUSTIFICATION OF OVERALL OUTCOME RATING

Combining the earlier assessments for the Relevance of Objectives (High), Efficacy in Achieving Objectives (Modest), and Efficiency (Substantial), the overall outcome is rated as **Satisfactory**.

E. OTHER OUTCOMES AND IMPACTS

Gender

The program made a strong contribution to an increased and more meaningful role of women in decision-making processes, including through representation in CDCs and increased voice in determining community investments. Half of all council seats were allocated to women. With the establishment of gender quotas for CDC office bearers, the number of female officials increased from 5 percent under NSP IIIA grant communities to 40 percent in NSP IIIBs. Female sub-committees provided a forum in which women could meet and express their views in the selection of sub-projects. Project indicators supporting this finding are: (i) Women made up 39 percent of CDC members nationally, against a goal of 38 percent; and (ii) Among sampled women representatives, 79 percent took active part in decision-making, against a goal of 70 percent. The NSP II IE also found that the creation of gender-balanced CDCs increased female representation in local institutions by 38 percentage points and increased the provision of governance services particularly to women.

The participation of women in village life as supported by NSP representatives was important progress in a society where women are largely absent from public fora. Culturally, Afghan women have limited formal public roles, and are restricted in their participation in community decision-making processes. With the onset of Taliban rule in the mid-1990s, women were banned from paid employment and were prohibited from leaving their homes without a mahram (escort). This imposed a severe restriction on women's mobility, and their ability to be active participants in public life. Their representation in CDCs and their participation in decision-making as reflected in the program indicators points to a notable contribution towards closing the gender gap in Afghanistan.

The extent of progress in gender inclusion varies from place to place, as there is considerable variation in the cultural context across rural Afghanistan. In some areas, the role of women in village leadership and decision-making remains limited, due to continued enforcement of conservative gender norms. For example, a recent evaluation of an FP's work in Wardak province found limited progress in female inclusion due to a strong presence of the Taliban in customary



governance structures. Similarly, there was underreporting of the female population in certain Provinces such as Uruzgan and Zabul which made it difficult to include them or report on their involvement.

Women generally did not participate in the construction or installation of works under the block grants or MCGs due to social norms. This affects their ability to benefit from the daily wages, especially for those who don't have able-bodied males to participate on behalf of the household.

At the institutional level, female staff representation remained low across the length of the program (similar to other development projects in the country). At project closing, women represented 18 percent of staff at HQ level and 11 percent at field level. Female staffing in the FPs increased only after the introduction of specific allowances for female social mobilizers in the FP to enable them to travel.

Institutional Strengthening

As well as strengthening CDCs, the NSP III significantly enhanced institutional capacity within the MRRD and broader public sector. Around 60 percent of MRRD's annual budget comprised NSP III, which contributed to the Ministry's consistent rating as a high performer among ministries for budget execution, service delivery and the strongest ground presence at the community level. Unlike NSP I and II, for which program management was largely outsourced to international firms, NSPIII had around 1,000 national staff directly contracted by the Ministry. Only three international consultants were hired in technical and advisory roles. Capacity and operational systems established under the project became the institutional foundations for the CCAP, into which over 850 NSPIII staff were directly transferred. Many former NSP staff went on to become directors-general, deputy ministers and ministers in other ministries.

While all NSP staff were 'contracted staff' and NSP remained a PIU within the ministry, and therefore a parallel - rather than core government – structure, it moved closer toward integration with core government structures over the period. NSP III implemented revisions in the pay scales, grades and organizational structure, making it one of the first and largest programs to align with the Government's National Technical Assistance Framework, which is the basis for eventual transfer of contracted staff to the civil service. In late 2014 MRRD developed a Change Management Plan and the European Union (EU) agreed to finance this through NSP III. The objective was to gradually move away from the project-based services/development delivery system to a programmatic or ministry/departmental-based approach. By April 2016, HR, Procurement and M&E functions were integrated and transferred to MRRD.

As one of the largest development programs that worked through NGOs across all Provinces, the NSP III also had a significant impact on capacity building of over 6,000 local NGO staff and creating a presence at the district and Provincial levels which NGOs used to leverage additional funds and implement other donor projects.

Mobilizing Private Sector Financing

The NSP III did not mobilize significant private sector financing nor was it designed to. However, it did generate around \$107 million of community contributions in cash, kind or labor. This surpassed the minimum mandatory contribution of 10 percent of grants (around \$85 million) but fell short of the original estimate of \$148 million.



Poverty Reduction and Shared Prosperity

Data is not available to reflect the overall impact of NSP III on poverty. While the program did not aim specifically to reduce poverty, it did seek to stimulate the rural economy by injecting funds, mainly via creation of productive infrastructure and short term-employment. It generated 29.5 million labor days, producing 36,430 subprojects.¹⁸

The MCG program created a total of 11.44 million paid labor days, earning total daily wages of \$69.6 million for around 705,000 laborers, designed to provide sufficient income to ensure 2-3 months' food security for their households. While increased access to food security is correlated with improved household welfare, the provision of MCG grants was not recurrent or at a sufficient scale as to have notable impacts on poverty over a long period of time.

Recent initiatives have sought to strengthen targeting of the poorest and promote greater equity under NSP III. NSP design emphasized a whole-of-community approach through mobilization at the community level, collective planning and implementation, which may not in itself have gone far enough to promote equity and the inclusion of the most vulnerable community members. The Participatory Community Empowerment (PCE) process was developed as a toolkit for use in social mobilization to ensure equitable and inclusive community development plans. The PCE was designed to identify patterns of poverty in rural communities across four factors: access to resources, well-being, the seasonal calendar, income and expenditure. It sought to improve the ability of CDCs to be more inclusive by disaggregating the community across access to public resources and poverty. In addition, the Fifth National CDC Consultative Conference in October 2015, entitled "Building Self-Reliant and Prosperous Communities through Pro-Poor, Inclusive, and Participatory Development" focused CDC delegate discussions on poverty and ways to facilitate equitable and inclusive development within communities.

Other Unintended Outcomes and Impacts

Contribution to Stabilization. While it is unrealistic to expect the NSP to have played a strong role in peacebuilding in a conflict driven by multiple broader factors and international interests, there is some evidence it contributed to larger stabilization efforts. USAID's Measuring Impact of Stabilization Initiatives (MISTI) survey project¹⁹ recommended that such initiatives pursue greater coordination with NSP because stabilization programming is more successful when implemented alongside it. It concluded from findings on NSP that stabilization programming will be most successful when it is designed to not only address identified sources of instability in an area, but to also organize communities to meet basic developmental needs, the primary goal of NSP. Rather than one-off interventions, multiple activities, both soft and hard, should be implemented in the same area over time because this magnifies project impacts and improves prospects for sustaining stability gains and consolidating support for the Government over the Taliban and other anti-government elements. Findings reveal that stability impacts are improved and in some cases negative impacts of hard interventions reversed when soft activities are implemented in tandem with hard activities.

II. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

A. KEY FACTORS DURING PREPARATION

i. Strong knowledge base from years of experience and multiple studies. By 2010, the NSP benefitted from seven years of implementation experience and a considerable volume of analysis, internal and external, to inform

¹⁸ NSP III MIS

¹⁹ http://pdf.usaid.gov/pdf_docs/PA00KS3X.pdf; Conducted by Management Systems International (MSI), September 2012 - November 2014 to assess impact of USAID projects on stability and resilience at the district and village levels in Afghanistan.



preparation of the third phase.

ii. Political uncertainty related to elections. The second presidential election in 2009 resulted in a runoff which led to upheaval around the country. There was also uncertainty about whether a new government would support the continuation of NSP, as was being proposed. The re-election President Karzai allowed program planning to continue but brought changes in the leadership of several key ministries, including MRRD. Second parliamentary elections were scheduled for autumn 2010, around the time the Program was to begin, creating uncertainty about whether Parliamentary approval for annual budgets for NSP III would come through as needed.

iii. Lack of reliable information on communities. In the absence of accurate village level population statistics and boundaries, the Central Statistics Office made a rough estimate that there were 40,000 rural settlements in the country and that, on average NSP communities comprised 1.2 such settlements. Thus, coverage of another 10,300 new communities with a first round of block grants was assumed sufficient to achieve national rural coverage. However, this estimate proved low. NSP III eventually provided block grants to 12,300 communities given funding shortfalls and deteriorating security conditions.

B. KEY FACTORS DURING IMPLEMENTATION

1. Factors subject to government and/or implementing entities' control

i. Political commitment and leadership: Despite continuous Government support for the program there were four changes of minister at MRRD from project design to closure. This did have an impact at certain stages of decision-making, staff recruitment and rollout planning. In addition, insufficient support among other ministries after 2010 contributed to preventing CDCs from becoming VCs and the broader community-level platforms for government service delivery envisioned at appraisal, which affected their sustainability.

ii. Flexibility of program. As mentioned above, this was evident in the financial management and operationally in the High-Risk Areas' Implementation Strategy (HRAIS), introduced under NSP II but adapted and rolled out further under NSP III. This allowed flexibilities in operations and certain policies and procedures in highly and extremely insecure areas. It introduced, for the first time in NSP, additional allowances for FPs working in such areas as an incentive to encourage coverage of such places but also to allow the additional security measures that would be needed when working in them. In addition, allowances were introduced to support FPs working in very remote communities and in communities with long periods of winter shutdowns. This enabled engineering staff to be reassigned between provinces depending on the work load. Community accounting and procurement procedures were simplified. Grant disbursement procedures were streamlined to maximum efficiency.

iii. Strong commitment and continuity among NSP and FP staff. A large majority of the PIU's professional and management staff had risen up the ranks from NSP I and II, and brought many years of direct NSP, CDD and rural Afghanistan experience. Among FPs, most social organizers, engineers and national country management teams had worked on the previous phases and continued into NSP III. Their commitment to the Program continued despite rising security and growing hostilities in certain parts of the country – especially towards the Government, which resulted in threats to and kidnapping of several staff.

iv. Implementation of MRRD Change Management Plan. As discussed, this aimed to integrate the NSP PIU more closely into main ministry structures, a positive move for costs and institutional sustainability. However, this significantly affected the quality of submissions. In addition, centralizing all recruitment into the Ministry's HR Directorate instead of the earlier NSP HR Department led to significant delays and some interference in recruitments especially for key staff in district and provincial level recruitment during the rollout of MCGs and closure of NSP. It also impeded recruitment of field staff, particularly in remote and insecure provinces.



v. Need to formally close out NSP I and II. Almost 23,200 NSP I and II communities had not been closed out in the earlier NSP I phases. No reconciliation had been done for individual CDC block grant balances or un-utilized funds in bank accounts or already withdrawn by these communities. These communities all had to be financially closed along with NSP III's in the final months of the Program. At the start of NSP III, there was a total of 7,440 NSP I and II communities with 9,059 subprojects that still had work ongoing. NSP III essentially financed block grants for over 1,200 NSP I and II communities for over 2,600 subprojects. Between July 2015 and March 2017, nearly 16,000 communities, over 24,200 subprojects and over \$517 million in block grants were closed out financially. While this was achieved successfully, it added considerably to staff workload and delayed a planned reduction in staff numbers over the last two years of the program.

vi. Staff overstretch in design of follow-on program and implementation of MCGs: While initially the CCAP design was meant to be handled by an inter-ministerial team, the heaviest burden of work fell on the core NSP/MRRD team, as well as the Bank's task team. The NSP team supported CCAP design while managing the closing out of NSP III. As such, for about 18 months at least, the team was over-stretched with the closure of NSP III and the design of a new program. Earlier plans to bring in external expertise for the design of the new program, in the short term, to support the MRRD did not come through. The introduction of MCG in November 2015 came at a time when the program was undertaking huge closure work for previous phases of NSP.

vii. Late inclusion of the MCG expansion without increase in approved budget. The additional financing for expansion of the MCG came through in August 2016 without corresponding increases in the approved budget from the Government for that fiscal year (1395/2016) and without a further extension of the Program due to close in March 2017, thus leaving only seven months for a program that would otherwise require around 10-12 months for full completion. While funding was available, it was too late to amend the fiscal year budget and secure liquidity before fiscal year closure. Funding liquidity (as part of the approved budget for the FY 1396/2017) materialized only in late February and early March 2017. Much of the MCG funding was disbursed a few days short of the NSP III closure date. Work had been undertaken during the winter months by the communities according to approved maintenance plans, but payments were delayed into the end of winter and early spring.

viii. Withdrawal of FMA. The sudden exit of the original FMA, Deloitte USA in 2011, due to changes in Government security protocols for international contractors, in 2011 resulted in the near-total closure of financial transactions for nearly three months, before the contracting of GIZ International Services as the replacement. Failure to meet procurement targets slowed down project implementation, and resulted in a dip in project rating from Satisfactory in the December 2011 ISM to Moderately Satisfactory in the July 2012 ISM. The implementation of an agreed-upon action plan between the Bank team and the NSP management team, and the hiring of a new FMA resulted in full recovery of the lost implementation momentum.

ix. Mixed performance of FPs especially in mobilization and capacity building, due to involvement of newer FPs, insufficient training and contract structure. While satisfactorily performing NSP I and II FPs were contracted via a sole-source, direct contracting basis for NSP III, these experienced FPs were not available to cover some of the more difficult areas. Such areas were then contracted out to newer FPs. An extended period of intense training of trainers as under NSP I was also not feasible this time, given the simultaneous implementation of NSP II and III (for one year) and the pressure to expand coverage quickly to the new areas. The use of fixed budget contracts (where payments to the FPs were linked to the completion of largely physical outputs) likely also contributed to the comparative neglect of some elements of the facilitation process.

2. Factors subject to World Bank control

i. Relocation of TTL and other key staff out of Kabul. Amid a deteriorating security environment, the Bank moved



most international staff including the TTL to Dubai or other locations in 2014. While this is not considered to have directly affected project outcomes, it did limit the task team’s ability to interact directly with the client.

3. Factors outside the control of Government and/or implementing agencies

i. Deteriorating security conditions. The total number of communities classified as highly or extremely insecure increased from around 7,100 in early NSP III to around 13,900 in later NSP III, representing a huge challenge for the program. The NSP III’s achievements in continuing to operate in so many of these communities are considerable, and attributable to its decentralized, community-led approach as well as the HRAIS. However, this came at great human cost. Over the course of NSP, and including CDC, FP, PIU and MRRD provincial directorate personnel, over 370 people were killed and more than 125 kidnapped²⁰, with the highest numbers during NSP III. Withdrawal of international troops, including the closure of PRTs, had a direct impact on the project’s ability to work in rural areas from 2014.

ii. Declining macroeconomic situation. Afghanistan’s GDP fell from a \$669 per capita high in 2012 to \$561 per capita in 2016, almost to 2010 levels. Inflation rates rose from just over 5 percent at the start of NSP III to nearly 14 percent mid-NSP III, before falling back to 7.2 percent at closure. Unemployment rates remained around 8.5 percent for most of the program period, but with increasing population and increasing workforce-aged youth, actual numbers of unemployed rose. The departure of international troops since 2011 and significant cuts in military funding from 2014 both affected the local economy.

iii. Reduced funding and direct engagement from donors for Afghanistan and the NSP III. While overall ARTF funding to the NSP increased under NSP III, this still fell short of initial estimates and the funding from IDA and bilateral donors were both less than under previous phases. Deteriorating security conditions in the country severely limited donor personnel movements within the country, with donor agency focal points for development programs often limited to their own compounds and brief, rare visits to the MRRD and WB main offices in Kabul. Donor visits to communities became far fewer than under NSP I and II.

BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

A. QUALITY OF MONITORING AND EVALUATION (M&E)

M&E Design

The PDO is expressed in the Project Paper and its results framework (Annex 1 of this ICR) with a single set of five PDO indicators and numerous intermediate objectives, broken down into the project components they support. Together these indicators go a long way toward capturing the different elements of the PDO, as described in section II above. Minor shortcomings include that the indicators do not fully capture progress – or what would constitute - ‘maintaining’ CDCs, and how effective performance of the ‘local governance’ role would be defined or measured.

The M&E arrangements established for the NSP III were unusually comprehensive and generally effective, despite the program’s scale, complexity and vast geographical scope, as well as its multiple funding sources, which brought different reporting requirements. Box 2 summarizes tools and methods. Monitoring, except by PM teams and FPs, generally covered samples only.

NSP III further developed the effective database and MIS already set up. Data entry was decentralized to the provincial

²⁰ Figures cover only reported and confirmed cases. Actual numbers are likely to be higher.



level and supported by a web-based database system that made data immediately accessible at headquarters. The system was developed to automatically generate most required quantitative reports. The database's central system could capture data from each subproject, grant, and community and compile and synchronize that data nationwide. Eventually, the central database included all NSP-related information for each of the over 35,000 communities, 88,000 subprojects and over \$1.5 billion in grants, as well as the various NSP subprograms. Standalone modules covered administration (fleet and stock/inventory management), human resources, capacity building, and FP management.

M&E Implementation

The various monitoring mechanisms, various studies/ evaluations undertaken, and the central MIS system outlined above were all effectively utilized during implementation. The NSP III PIU included a full-fledged M&E Department at the central level and monitoring staff in its 34 PMUs. Both male and female monitors were engaged at field level, to provide access to and monitoring data from female community members.

Monthly monitoring reports from all provinces, quarterly CPM reports from thousands of communities compiled by FPs, and database-generated reports were combined to provide regular reporting to NSP management, government and donors on the overall program progress on a weekly, monthly or quarterly basis.

Under the NSP III, the ARTF adapted monitoring arrangements to accommodate deteriorating security conditions, which prevented safe access to some areas by NSP's own staff and the Bank. The earlier TPM by the ARTF of the NSP II was limited to sub-project verification and quality of works. Under NSP III, the TPM TORs were revised to also include monitoring of: (i) environmental and social safeguards, (ii) grievance handling mechanisms, (iii) women's participation; (iv) monitoring of the fiduciary systems at the Provincial levels and (v) the accuracy of the MIS.

Shortcomings in the M&E framework included the following: (i) *Insufficient baseline data*. As apparent in the Results Framework, numerous indicators lacked baseline data that had been expected to come from the IE of NSP II but were not in fact available, as data came too late or was inconsistent with the indicators included; (ii) *Non-completion of some studies envisioned in the Project Paper*. These included: a household study to understand how villagers experience change related to NSP and to other political, social and economic developments in their communities; an impact study on governance, state-building, security and peacebuilding; and an evaluation of Facilitating Partners looking at deliverables, reporting, and performance in the field. These were not undertaken as the context and



priorities evolved, and other studies were discussed with the Government and commissioned. These included reports on economic and financial analysis, sustainability of CDCs, O&M, and the cluster CDC pilot.

M&E Utilization

M&E data on performance and results progress was used to inform project management and decision-making. Data and field experience was regularly taken on by the PIU management team who regularly updated the operational tools, procedures and policies, including three revisions to the operations manuals.

The use of TPM data and reports evolved over NSP III, to become a constructive feedback mechanism for the project. Original reports had been shared mainly with ARTF donors to assure proper use of funds. Over time, findings were used increasingly by NSP staff, with issues identified shared with FPs and field offices so that they could be addressed, and responses and updates obtained and shared back with the monitors and donors.

Justification of Overall Rating of Quality of M&E

The quality of M&E overall is rated as Substantial, with generally strong design, implementation and utilization, particularly given the difficult context for supervision, balancing minor shortcomings on the design of indicators relative to PDO performance, insufficient baseline data and the non-completion of several planned studies.

B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

Safeguards: The following safeguard policies were triggered: (i) OP/BP 4.12 on Involuntary Resettlement, and (ii) Environmental Assessment OP/BP 4.01. Operational policy 4.12 was triggered due to possible land acquisition in connection with certain sub-projects. A Resettlement Policy Framework (RPF) in compliance with the operational policy was prepared. Environmental Assessment OP/BP 4.01 was triggered due to the likelihood of adverse environmental and social impacts from the activities planned under the project. An Environmental and Social Management Framework (ESMF) was prepared. It was updated in November 2015 during the restructuring to include the MCG work, and later applied to the additional financing. The project was rated Category B as no major environmental impacts were envisioned. This rating remained unchanged under the Restructuring and Additional Financing of the project.

The project generally maintained compliance with Bank safeguard requirements, as confirmed by implementation support missions. However, the following issues were identified:

Box 2. Different forms of monitoring under the NSP III

- Community Participatory Monitoring (CPM): Elected teams of four non-CDC members (two men, two women) were trained to monitor and report on CDCs’ performance of mandates and implementation progress.
- Reporting by FPs on CDC activities and overall work progress.
- Monitoring by PMUs: Each of the 34 provinces had dedicated staff to monitor (including through field visits) results framework indicators, FP and CDC performance, adherence to the policy/procedural manuals, gaps, lessons learned, trends etc.
- Local monitors in insecure areas: Where insecurity prevented regular staff travel to certain districts, NSP hired and trained local people to monitor, using simplified means and limited physical documentation, and report on progress to provincial offices.
- Technical monitoring by line departments at NSP headquarters, using small samples from the ground. (Engineering, Procurement, Finance, FP Management, Environmental and Social Safeguards, Gender.)
- Overall program quality and RF indicator monitoring by the M&E Department at NSP HQ, using small samples from each province and compiled national-level reporting.
- Financial monitoring through an internal control unit within the PIU, internal audit unit within MRRD, and external annual audits from Afghanistan’s Supreme Audit office.
- CDC Institutional Maturity Index (IMI) administered by FPs in all CDCs evaluated capacity of CDCs (discontinued in 2016)
- Independent TPM firm contracted by ARTF
- Regular ISMs by Bank; ad hoc visit by other donors
- Mobile based monitoring mechanism for real-time data. (Pilot)
- External studies and evaluations commissioned by NSP and Bank



1. Failure to properly process and document land donations or other transfers as required in the ESMF and Operations Manual. At the time of the mid-term review (MTR), TPMs found that land transfer documents were missing in more than half of the cases checked, and that consultations about land transfers were sometimes inadequate. However, due to increased attention, decentralized ESS-related trainings, introduction of easy-to-use checklists, and remedial efforts by NSP and FPs, overall compliance in land documentation at the CDC level was increased to over 90 percent as per TPM reports at project closing.

2. Inconsistent documentation of Environmental Safeguards Management Plans (ESMPs) across sub-projects. The National Environmental Protection Agency (NEPA) required that all sites selected for infrastructure development have a NEPA-approved ESMP. NEPA later agreed that NSP III subprojects were too small and numerous for this requirement. Instead, a sample set of ESMFs for larger subprojects was shared with the NEPA and cleared as a basis for all future ESMFs. Bank guidelines did not require ESMFs for all subprojects under the NSP III. The MTR mission agreed that ESMPs specific to each subproject would be developed only for all National Competitive Bidding (i.e. larger) contracted subprojects. TPM reports found that ESMF documentation was not readily available during site visits to communities/PMUs.

3. Safety issues were noted at a limited number of sites for rural infrastructure. The MTR found several sites for schools and community centers that were at risk for floods and avalanches, while TPM reports indicated various safety issues with the execution of rural infrastructure in its monthly and quarterly reports. The NSP responded that the subprojects were largely implemented by communities themselves, with a few outsourced to external contractors, and were generally of basic infrastructure on a very small scale. The safety issues most often highlighted in the TPM findings related to standards such as helmets, scaffolding etc that were not usually practiced in rural Afghanistan construction. To address the risk of natural disasters, site-selection checklists were adapted were being used at the project's close.

4. Limited capacity among assigned safeguard focal points, FPs, and CDCs was a constraint to project compliance with safeguard requirements. The NSP had only two dedicate full-time staff for environmental and social safeguards, with two more focused on gender issues related to social safeguards. Safeguard implementation and monitoring functions were otherwise executed by NSP and FP staff in addition to their primary roles. The MTR found that assigned safeguard focal points, who were mostly site engineers, had limited capacity to undertake environmental safeguard supervision. At the time, environmental and social safeguards trainings had yet to be provided to CDC members as required by the ESMF. A new training manual was developed in 2015, to help FPs better assist communities with ESMP preparation.

Fiduciary Compliance: The project complied with Bank procedures and policies regarding financial accounting, reporting, and record keeping. At project closing, internal controls were found to be satisfactory by the Bank team at the project, MRRD and MoF levels. Quarterly Interim Financial Reports were also found to be timely and in the form and substance agreed with the Bank. The restructuring and additional financing did not significantly alter procurement and FM arrangements. Key issues raised in the project's audit reports were resolved satisfactorily. NSP III received unqualified audit reports every year from the Supreme Audit Office of Afghanistan (SAO). There were no pending unresolved deductions under either IDA or ARTF grants at closing. Overall, financial management received satisfactory ratings in all except one ISM during the NSP III period.

Procurement Compliance: The project complied with Bank procurement procedures and policies. Post-procurement reviews did not reveal any major irregularities. Delays were experienced in the procurement of FP contracts for the second phase of roll-out and repeater block grant communities. While the FP procurement was initiated in late 2009, a few FPs did not have signed contracts until 2012. The sudden withdrawal of the FMA also caused some delays, as discussed in Section III.



C. BANK PERFORMANCE

Quality at Entry

Overall quality at entry was generally strong. The design maintained a tested CDD approach, responded to the context and was in line with the Government's strategy. The fiduciary, M&E and implementation arrangements were designed with sufficient flexibility to adapt to the changing environment.

Key design changes to the block grants were considered, to enhance performance and sustainability for the third NSP phase. Some were taken on but others were not implemented due to factors beyond the Bank's control. These were the included a reduction of the block grant size to provide smaller, recurrent tranches of funding, to keep CDCs active over a longer period. However, the Government remained committed to the earlier approach, motivated partly by its priority of pursuing equity and national rural coverage through a comprehensive rollout of first block grants. A second option was the national scale-up of the clustering approach. However, given funding constraints, it was agreed that organic clustering for joint projects (i.e. pooling community-level grants) would be allowed and encouraged, and the expansion of formal clustering would be left for the follow-on project.

The quality at entry for the additional financing to expand the MCG scheme was also strong. The design reflected field knowledge, capacity of CDCs and had sufficient flexibility and a strong monitoring system built into the design which allowed management to make changes in response to lessons from the field (e.g. the targeting approach, how to ensure fiduciary compliance, use of MRRD field staff).

Quality of Supervision

The Bank's performance on supervision was also generally strong, especially given the deteriorating security conditions. In total, three restructurings, one additional financing and multiple rounds of revisions to the operational manuals were processed, all after the MTR, to reflect the changing context and enable the project to smoothly continue implementation.

The movement of Bank staff out of Kabul in 2014, as mentioned above, inevitably affected the closeness and consistency of engagement, as did the periodic changes in TTL, though the total of three over the period was not excessive. The departure of the second TTL in 2015 left a gap of a few months before the appointment of the third, with a co-TTL was managing the project in the meantime.

However, by investing in the Dubai office and keeping the TTL in the same region, the Bank did maintain continuity of support and an intense supervisory effort. It conducted two Implementation Support Missions (ISMs) a year, monthly operational reviews, a series of workshops focused on NSP III closure activities and several reverse missions that brought all key WB staff (including FM, procurement, legal, disbursement, safeguards) together with the client. These events were effective in reaching operational decisions that led to higher disbursements, simplifications and the successful completion of work under NSP III.

Beyond regular ISMs, the Bank's Task Team, particularly the Task Team Leader and Financial, procurement and legal specialists, worked continuously with the client on program management supervision, operational improvements,



review and the provision of technical expertise on program and policy issues. Performance of the Bank team in bringing about the closure of all NSP I, II and III activities is seen by the Government team as particularly strong.

The ARTF-contracted TPM was an integral part of the WB's supervision. Monitors regularly participated in review meetings with the Government and FPs, to follow up on findings, finalize monitoring reports and propose actions.

Justification of Overall Rating of Bank Performance

Considering both quality at entry and supervision, Bank performance is rated as **Satisfactory**.

D. RISK TO DEVELOPMENT OUTCOMES

The medium-term risk to the development objective, in terms of CDC effectiveness in local governance and social-economic development, is mitigated to a significant extent by the launch of the Citizens' Charter National Priority Program (CCNPP) and financing from the CCAP. The Citizens' Charter expands the mandate and scope of CDCs by: subsuming within them sectoral community organizations (e.g. health and education shuras); making election and decision-making processes more inclusive; extending CDC coverage to cities; and linking CDCs to sub-national governance bodies, such as district and provincial assemblies.

However, the country-level challenges Afghanistan faces put serious risks on sustaining the development objectives in the longer term if negative trends continue. Three specific risks are:

- 1. Deteriorating security conditions.** The increasing incidence of violence and conflict is the most serious threat to CDC functioning. CDCs have proven able to operate high-risk areas in which more overt government presence or state service provision may not be feasible, helped by flexibilities under the HRAS. However, there is a tradeoff involved, as reduced FP support and limited access by the NSP, Bank or TPMs has negatively affected results on some measures, including inclusion of women. This could limit the legitimacy and role that CDCs can play in highly insecure areas.
- 2. Linkages of CDCs to sub-national structures and sector ministries.** The expanded vision of CDCs under the CCNPP as 'whole of government' bodies at the local level relies on strong inter-ministerial coordination at national and sub-national level, which is yet to be tested. The draft sub-national governance policy and national priority program also envisions formalizing CDC roles in sub-national governance structures, but again the ground reality of how this will happen is unknown. Without this linkage to sector and sub-national structures, the CDC role in socio-economic development and local governance will be constrained and so this remains a high risk to the development objectives.
- 3. Diminished donor funding for Afghanistan** (as discussed in Section III). Finally, the constrained aid and fiscal environment threatens the maintenance of sustained financing for CDCs. Given budget constraints, CCAP only finances one-third of CDCs in its first phase, which poses a risk to CDCs' role in the remaining two-thirds of the country. While the Government has expanded on-budget financing for CDCs under CCAP, its ability to maintain and expand this share of self-financing is threatened by low economic growth and a challenging fiscal revenue situation.

IV. LESSONS AND RECOMMENDATIONS

Partnering with communities and their representative bodies can be an effective way for the Government to deliver services in Afghanistan and other conflict-affected countries. CDCs have shown that if given control over resources, they are capable of planning and managing development activities. The CDD approach has proven cost-effective and sustainable, due to the close engagement and contributions by communities, with fewer transaction costs than would be incurred if subproject implementation were managed centrally. And it is proved



a resilient mechanism for community organization and delivery in conflict-affected areas.

Not all problems can be solved at the community level, so there is a need for close coordination with line agencies and district and provincial levels of government for effective service delivery. Line agencies must be responsible for actions beyond communities' control, such as ensuring teacher and health worker quality, providing engineering expertise, ensuring appropriate operations and maintenance interventions and coordinating subprojects' linkages with higher level infrastructure trunk networks (roads, sewerage, etc.) Appropriate platforms are needed to allow public service providers to coordinate with CDC and CCDC leadership or sub-committees at the local level, underpinned by closer coordination at the center.

There are trade-offs involved in implementing via a parallel PIU structure - and any transition into Government systems should be a gradual one. NSP's structure of contracted staff paid at higher salaries than civil servants (but consistent with Government consultant salaries), operating largely independently within the ministry, may have allowed it to recruit and retain more qualified staff, operate more effectively and deliver services in rural areas where the civil service does not have a presence. But—even with recent Afghanization and convergence towards civil service norms—the higher costs undermine sustainability and limit the impact of institutional strengthening efforts, if still concentrated within a PIU rather than the ministry as a whole. Furthermore, such convergence/transition processes must be a gradual one to avoid impacting project performance, as for example happened with HR functions on the NSP III.

There is a need to manage expectations by the Government and donors about the peacebuilding impact that a CDD project, even a large and successful one, can have in a country in conflict. CDD can build trust within communities and among them toward the government and has proved a resilient delivery mechanism but it cannot be expected to alter the behavior of insurgents. The addition of the MCG was an appropriate use of the well-functioning machinery of the NSP to deliver jobs and infrastructure maintenance but these do not necessarily foster peace. In addition, there is a need to preserve the neutrality—and not politicize—CDCs by using them for military or security purposes.

Community ownership and flexibility on requirements and monitoring can allow implementation in insecure areas, but with a cost in terms of participation and social impacts. The HRAIS facilitated the implementation of subprojects in highly and extremely insecure areas but field monitors reported that the quality and impact of the social mobilization processes was generally weaker in riskier areas, in which it was difficult for FPs to involve women or spend sufficient time on capacity building efforts.

NGO participation in CDD programs can be essential but careful training, selection and contract management are needed, to ensure consistent implementation performance. FPs played a key role in the success of NSP III, as with earlier phases. However, gaps in training, selection of less-experienced NGOs, and output-based contracts that may have prioritized subproject completion and block grant utilization over participatory aspects apparently contributed to uneven performance under NSP III.

To avoid excessive take-up and ensure impact, cash-for-work schemes should be underpinned by a clear set of vulnerability criteria and minimum days of work per household. The MCG was rolled out first using a self-targeting approach, on the assumption that a wage rate set below the regular local wage rate for skilled and unskilled labor would limit participation only to those most in need. However, high levels of poverty and underemployment in rural areas, triggered strong participation, with benefits spread too thinly to have an impact on households' consumption. In response, the second phase of MCGs under the AF set clear vulnerability criteria and a minimum level (20 days) of work per household.



ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

A. RESULTS INDICATORS

A.1 PDO Indicators

Objective/Outcome: To build, strengthen and maintain Community Development Councils (CDCs) as effective institutions for local governance and social-economic development

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Min. of 70% of sampled communities recognize CDCs as the legitimate institution and representative of communities	Text	0	70%		96% (14,251) of sampled communities, recognize their CDCs as the representative in decision making and development of their communities, Out of total (3,605,678) number of eligible voters, 71% (2,575,155) voted for their representatives in CDC election. Source: Monitoring Database 22 June-31 Dec 2016.



		10-Jun-2010	10-Jun-2010		31-Mar-2017
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Comments (achievements against targets): Target exceeded.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Minimum of 60% of CDCs perform their functional mandates in the areas of community development and coordination, project implementation and conflict resolution	Text	0	60%		Out of 4,733 monitored CDCs, 80% (3,802) CDCs performed their functional mandates such as conducting CDC meetings, sharing of information, linkages, successful completion of sub projects (Post Implementation Monitoring reports) source: Post Implementation Monitoring Reports 22 June-31 Dec 2016.
		10-Jun-2010	10-Jun-2010		31-Mar-2017

Comments (achievements against targets): Target exceeded.



Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Minimum of 70% of sampled communities have improved access to services.	Text	0 10-Jun-2010	70% 10-Jun-2010	 20-Nov-2015	80% (6,107) of the sampled communities have access to services (irrigation, power, transport, water supply and other facilities) and used by the targeted beneficiaries. Source: Post Implementation Monitoring Reports 22 June-31 Dec 2016. 31-Mar-2017

Comments (achievements against targets): The indicator was revised as part of the 2015 restructuring, though the target value remained unchanged. ‘Minimum of 70 percent of sampled communities have successfully implemented community investment subprojects’ was replaced with ‘Minimum of 70 percent of sampled communities have improved access to services,’ a more outcome-focused measure. The target was exceeded.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Minimum of 70% of sampled women representatives in the CDCs take active part in decision making related to	Percentage	0.00 10-Jun-2010	70.00 10-Jun-2010		79.00 31-Mar-2017



community development

Comments (achievements against targets): Target met.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
At least 50% of total beneficiaries are female	Text	0 10-Jun-2010	50% 10-Jun-2010		48% (13,764,525) of NSP III total beneficiaries (28,693,199) are female for both NR and RBG communities. Source: MIS database. 31-Mar-2017

Comments (achievements against targets): Target narrowly missed (48 percent at completion vs. 50 percent target)

A.2 Intermediate Results Indicators

Component: Component One: Capacity building of CDCs

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Minimum of 80% of CDCs have new elections for leadership through democratic elections and secret ballot at the	Text	0	80%		Out of the total (15,904) mobilized communities, the CDC election was



appropriate time.		30-Sep-2011	10-Jun-2010		conducted in 96% (15,277) according to NSP mandated procedures. Source: Monitoring reports during implementation 22 June-31 Dec 2016.
					31-Mar-2017

Comments (achievements against targets): No changes were made to this indicator or target. However the 'actual achievement at completion' was changed to reflect the final project closing date.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
90% of CDCs have been trained on core and second phase training topics	Text	0	90%		99% (26,282) of elected CDCs trained as per NSP OM and training packages by FPs. (FPs' report out of 26,372 CDCs established) and 3,511,290 hours (438,910) client days) of training provided to CDC members. Source:



		10-Jun-2010	10-Jun-2010		CDD Report 22 June-31 Dec 2016. 31-Mar-2017
Number of NSP's staff trained (male and female)	Text	0	0		In total 5,268 NSP staff (4,826 male and 442 female) trained. Source: CDD report 22 June- 31 Dec 2016. 31-Mar-2017
		10-Jun-2010	10-Jun-2010		
Number of CDC members (male and female) trained	Text	0	0		As a result of mentioned training hours, in total 336,905 (212,202 male and 124,748 female) CDC members are trained. Source: CDD report 22 June - 31 Dec 2016. 31-Mar-2017
		10-Jun-2010	10-Jun-2010		

Comments (achievements against targets): No changes were made to this indicator or target. However the 'actual achievement at completion' was changed to reflect the final project closing date.

Indicator Name	Unit of	Baseline	Original Target	Formally Revised	Actual Achieved at
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	Measure			Target	Completion
Minimum of 30% of sampled CDCs attempt to form linkages with government and non-government actors.	Text	0	30%		71% (2,622) CDCs formed linkages with government authorities as well as 59% (2,387) of CDCs formed linkages with I/NGOs and other development actors. Source: Post Implementation Monitoring Reports 22 June-31 Dec 2016.
		10-Jun-2010	10-Jun-2010		31-Mar-2017

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
35% of CDC members nationally are women	Text	38% under NSP I and II	35%		Out of the total number of CDC members (158,228) in NSP IIIA (first block grant) Communities, 32% (51,082) of them are female. (MIS Report).



		10-Jun-2010	10-Jun-2010		Out of total number of CDC members (192,525) in NSPIIB (repeater block grant) communities, 45% (86,404) are female. Source: MIS Report 22 June-31 Dec 2016. 31-Mar-2017
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Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
70% of sampled communities satisfied with FP performance	Text	0 10-Jun-2010	70% 10-Jun-2010		96% (6,913) of CDCs are satisfied with performance of their FPs. Source: Monitoring reports during implementation 22 June-31 Dec 2016. 31-Mar-2017

Comments (achievements against targets):

Indicator Name	Unit of	Baseline	Original Target	Formally Revised	Actual Achieved at
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	Measure			Target	Completion
Min. of 60% of eligible CDCs have Community Participatory Monitoring (CPM) teams functioning	Text	0	60%		95% of eligible CDCs under NSP III have CPM teams and 89% of these teams are functioning and monitor their sub projects. Source: CPM reports 22 June- 31 Dec 2016.
		10-Jun-2010	10-Jun-2010		31-Mar-2017

Comments (achievements against targets):

Component: Component Two: Community Grants for Economic and Social Development - Subcomponent 2. a. First Block Grants

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Min. of 80% of new CDCs complete their CDPs according to NSP principles and operational guidelines (First block grant communities)	Text	0	80%		99.6% (12,250) out of (12,287) new CDCs completed their CDPs. Source: MIS report 22 June- 31 Dec 2016.
		10-Jun-2010	10-Jun-2010		31-Mar-2017

Comments (achievements against targets):



Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
At least one subproject completed by 80% of CDCs (First block grant communities)	Text	0 10-Jun-2010	80% 10-Jun-2010		Out of total 11,760 CDCs financed, 98% (11,557) of these CDCs successfully completed at least one sub project. Source: MIS report 22 June- 31 Dec 2016. 31-Mar-2017
Comments (achievements against targets):					
Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Min. of 70% of sampled infrastructure subprojects are functional and used by communities one year after completion (First block grant communities)	Text	0	70%		93% (7,208) of 7,710 infrastructure completed sub projects are functional and used by communities. Source: Post Implementation Monitoring Report 22 June - 31 Dec 2016.



		10-Jun-2010	10-Jun-2010		31-Mar-2017
Comments (achievements against targets):					

Component: Component Two: Community Grants for Economic and Social Development. Subcomponent 2. b. Repeated Block Grant

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Of the eligible CDCs, min. of 70% of CDPs revised and completed according to NSP principles and operation guidelines (Repeater block grant communities)	Text	0	70%		Out of 11,505 CDCs re-elected 99.9% (11,498) of CDCs revised and completed their CDPs according to NSP operation guidelines. Source: MIS report 22 June- 31 Dec 2016.
		10-Jun-2010	10-Jun-2010		31-Mar-2017

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
At least one subproject completed by 70% of eligible CDCs (Repeater block grant	Text	0	70%		Out of total 11,409 CDCs financed, 99% (11,343) of these CDCs successfully



communities)		10-Jun-2010	10-Jun-2010		completed at least one sub project. Source: MIS report 22 June- 31 Dec 2016. 31-Mar-2017
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Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Min. of 75% of sampled infrastructure subprojects are functional and used by communities one year after completion	Text	For NSP I & II 85% of sampled sub-projects were functional and used. 10-Jun-2010	75% 10-Jun-2010		Out of the total 7,331 Sub-Projects monitored 80% (5,900) Sub-Projects are functional and used by the communities. Source: Post Implementation Monitoring Report 22 June- 31 Dec 2016. 31-Mar-2017

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
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Min. of 70% of sampled CDCs conduct social audit meetings	Text	Social audit meetings were added as an enhanced feature of NSP III, therefore baseline value is 0	70%		Out of 13,817 communities monitored, 20% (2,822) of the communities conducted social audit meetings. Source: Monitoring Reports During Implementation 22 June-31 Dec 2016.
		10-Jun-2010	10-Jun-2010		31-Mar-2017

Comments (achievements against targets): Over 70% of CDCs held community wide meetings to report on subproject progress and grant utilization. However, there was no standardized reporting tool for FPs to report on them, and these were not specifically labeled “social audit” meetings. As such, there is a low percentage reported as achieving this target but field visits and anecdotal information and FPs’ report that over 70% of NSP III CDCs did hold some form of basic social audit meetings.

Component: Component Three: Project Implementation Support

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
80% of complaints processed by NSP using agreed service standards	Text	0	80%		Out of 2,273 grievances received, 2,009 (88%) have been solved. Source: Grievance Handling Database 22 June- 31



		10-Jun-2010	10-Jun-2010		Dec 2016. 31-Mar-2017
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Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
One annual NSP progress report produced	Text	0 10-Jun-2010	5 10-Jun-2010		0 31-Mar-2017

Comments (achievements against targets): While no annual report was produced, the Project produced and shared with the Bank weekly reports, monthly progress and financial reports, quarterly progress and financial reports... thus more than 300 weekly, 60 monthly and 25 quarterly reports were shared with the Bank during the NSP III period.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
90% of FP invoices paid in accordance with contractual timetable	Text	75% 10-Jun-2010	90% 10-Jun-2010		76% of FP invoices are paid in accordance with contractual timetable. Source: FPMD. 31-Mar-2017

Comments (achievements against targets):



Unlinked Indicators

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of CDCs received maintenance cash grants	Number	0.00	0.00		10914.00
		26-Nov-2015	26-Nov-2015	26-Nov-2015	31-Mar-2017

Comments (achievements against targets): 10,914 from ARTF alone, 12,551 when including bilateral sources. This indicator was introduced through the November 2015 restructuring.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Roads constructed, Rural	Kilometers	0.00	0.00		12493.00
		10-Jun-2010	10-Jun-2010	01-Sep-2013	31-Mar-2017

Comments (achievements against targets): This core sector indicator was introduced at MTR.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Roads rehabilitated, Rural	Kilometers	0.00	0.00		141.00
		10-Jun-2010	10-Jun-2010	01-Sep-2013	31-Mar-2017

Comments (achievements against targets): This core sector indicator was introduced at MTR.



Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of people in rural areas provided with access to Improved Water Sources under the project	Number	0.00	0.00		5056937.00
		10-Jun-2010	10-Jun-2010	01-Sep-2013	31-Mar-2017

Comments (achievements against targets): This core sector indicator was introduced at MTR.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Improved community water points constructed or rehabilitated under the project	Number	0.00	0.00		39449.00
		10-Jun-2010	10-Jun-2010	01-Sep-2013	31-Mar-2017

Comments (achievements against targets): This core sector indicator was introduced at MTR.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Improved latrines constructed under the project	Number	0.00	0.00		7953.00
		10-Jun-2010	10-Jun-2010	01-Sep-2013	31-Mar-2017

Comments (achievements against targets): This core sector indicator was introduced at MTR.

Indicator Name	Unit of	Baseline	Original Target	Formally Revised	Actual Achieved at
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	Measure			Target	Completion
Area provided with new/improved irrigation or drainage services	Hectare(Ha)	0.00	0.00	01-Sep-2013	361523.00
		10-Jun-2010	10-Jun-2010		31-Mar-2017
Area provided with improved irrigation or drainage services	Hectare(Ha)	0.00	0.00	01-Sep-2013	338310.00
		10-Jun-2010	10-Jun-2010		31-Mar-2017
Area provided with new irrigation or drainage services	Hectare(Ha)	0.00	0.00	01-Sep-2013	23213.00
		10-Jun-2010	10-Jun-2010		31-Mar-2017

Comments (achievements against targets): This core sector indicator was introduced at MTR.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of additional classrooms built or rehabilitated at the primary level resulting from project interventions.	Number	0.00	0.00	01-Sep-2013	2995.00
		10-Jun-2010	10-Jun-2010		31-Mar-2017

Comments (achievements against targets): This core sector indicator was introduced at MTR.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
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Community contribution in the total project costs (percentage)	Percentage	0.00 10-Jun-2010	10.00 10-Jun-2010		12.00 31-Mar-2017
Total community contribution (US\$)	Amount(USD)	0.00 10-Jun-2010	0.00 10-Jun-2010		106615673.00 31-Mar-2017
Comments (achievements against targets):					

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
50% of CDCs solved the conflicts raised at their own communities	Text	0 10-Jun-2010	50% 10-Jun-2010		In total of 4,679 CDCs 4,938 Conflicts were raised out of which 3,580 (73%) are solved by CDCs. Source: Monitoring reports during implementation 22 June-31 Dec 2016. 31-Mar-2017
Comments (achievements against targets):					



B. KEY OUTPUTS BY COMPONENT

PDO Objective 1: CDCs built, strengthened and maintained as effective institutions for local governance	
Outcome Indicators	<ol style="list-style-type: none"> 1. Minimum of 70% of sampled communities recognize CDCs as the legitimate institution and representative of communities. <i>(PDO indicator 1) – 96% achieved at completion</i> 2. Minimum of 60% of CDCs perform their functional mandates in the areas of community development and coordination, project implementation and conflict resolution. <i>(PDO indicator 2) – 80%</i> 3. Min. of 70% of sampled women representatives in the CDCs take active part in decision-making related to community development <i>(PDO indicator 4) – 79%</i>
Intermediate Results Indicators	<ol style="list-style-type: none"> 1. 90% of CDCs have been trained on core and second phase training topics – <i>99% achieved</i> 2. Number of CDC members (male and female) trained – no target – <i>336,905 trained (212,202 male; 124,748 female)</i> 3. Min. of 80% of CDCs have new elections for leadership through democratic election and secret ballot at the appropriate time – <i>96%</i> 4. 35% of CDC members nationally are women – <i>32% for NSP IIIA; 45% for NSP IIIB; Total – 39%</i> 5. Min. 30% of sampled CDCs attempt to form linkages with government and non-government actors – <i>71% with government authorities; 59% with NGOs/other development actors</i> 6. Min. of 70% of sampled CDCs conduct social audit meetings – <i>20%</i> 7. Min. of 50% of CDCs solved the conflicts raised in own communities – <i>73%</i>
Key Outputs by Component (linked to the achievement of the Objective/Outcome 1)	<p>Component 1.: 336, 905 CDC members trained Component 2.: NSP IIIA grants established 12,351 new CDCs; NSP IIIB grants led to re-election of 11,572 CDCs; MCGs provided funds that supported 10,914 CDCs</p>
PDO Objective 2: that CDCs be effective institutions for social-economic development	
Outcome Indicators	<ol style="list-style-type: none"> 1. Min. of 70% of sampled communities have improved access to services (transport, irrigation, water supply etc.) – <i>(PDO indicator 3) – 80% achieved at completion</i> 2. At least 50% of total beneficiaries are female <i>(PDO indicator 5) – 48%</i>



Intermediate Results Indicators	<ol style="list-style-type: none">1. Min. of 70% of sampled infrastructure subprojects are functional and used by communities one year after completion (First block grant communities) – 93%2. Min. of 75% of sampled infrastructure subprojects are functional and used by communities one year after completion – 80%4. Min. of 80% of new CDCs complete their CDPs according to NSP principles and operational guidelines (First block grant communities) – 99.6%5. At least one subproject completed by 80% of CDCs (First block grant communities) – 98%6. Of the eligible CDCs, min. of 70% of CDPs revised and completed according to NSP principles and operation guidelines (Repeater block grant communities) – 99.9%7. At least one subproject completed by 70% of eligible CDCs (Repeater block grant communities) – 99%
Key Outputs by Component (linked to the achievement of the Objective/Outcome 2)	Component 2. - \$832m of block grants implemented, creating over 66 million paid labor days for skilled and unskilled workers; 12,634 km of rural roads were built or rehabilitated; 39,449 community water points built or rehabilitated; 7,953 improved latrines built; 361,523 hectares of land provided with new or improved irrigation or drainage services; 2,995 additional primary-level classrooms built or rehabilitated; 53 health centers and more than 4,200 community centers built, MHP projects undertaken that generated over 15,800 KW of electricity.

ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A. TASK TEAM MEMBERS

Name	Role
Preparation	
Supervision/ICR	
Naila Ahmed	Task Team Leader(s)
Rahimullah Wardak	Procurement Specialist(s)
Ahmed Shah Ahmadzai	Financial Management Specialist
Philippe Jacobe De Naurois	Team Member
Nadia Islam	Team Member
Anu Bakshi	Team Member
Juan Carlos Alvarez	Counsel
Adenike Sherifat Oyeyiola	Team Member
Kamran Akbar	Team Member
Abdul Raouf Zia	Team Member
Luiza A. Nora	Team Member
Zahid Shakeel Ahmad	Team Member
Rafi Mohammad Farooq	Team Member
Mohammad Asif Qurishi	Team Member
Richard Spencer Hogg	Team Member
Atiqullah Ahmadzai	Team Member
Hamayon Aslan	Team Member
Abdul Saboor Patyal	Team Member
Tariq Ashraf	Social Safeguards Specialist
Mary Morrison	ICR Contributing Author
Carolyne Makumi	ICR



B. STAFF TIME AND COST

Stage of Project Cycle	Staff Time and Cost	
	No. of staff weeks	US\$ (including travel and consultant costs)
Preparation		
FY09	0	761.98
FY10	0	0.00
FY11	0	0.00
Total	0.00	761.98
Supervision/ICR		
FY11	0	34,597.77
FY12	0	- 2.50
FY16	5.072	9,109.81
FY17	6.675	23,428.15
FY18	9.961	67,429.07
Total	21.71	134,562.30



ANNEX 3. PROJECT COST BY COMPONENT

Components	Amount at Approval (US\$M)	Actual at Project Closing (US\$M)	Percentage of Approval
Capacity Building of CDCs	291.1	212.5	73.0
Community Grants for Economic and Social Development	1,093	902	82.5
Project Implementation Support	122.3	142.7	116.1
Total	1,505	1,256	83.5



ANNEX 4. EFFICIENCY ANALYSIS

An economic and financial analysis of NSP III was undertaken in 2014.²¹ At the time of the analysis, the project was three and a half years into implementation. The analysis is based on completed sub-projects under NSP IIIA and NSP IIIB as of March, 2013.

Cost-Effectiveness Analysis

The cost-effectiveness analysis presented unit cost data for project outputs by sector. Sub-project cost is defined as the total expenditure funded by the NSP block grant. Table 4a presents unit cost figures for the primary NSP outputs within each sector investment area.

Table 4a - NSP III Unit Cost Analysis - Program Level

NSP IIIA/Sector	Output type	Output	Unit	Unit Cost \$
Power	Power Line Supply	393,193	Length Mts	14
	MHP	3,720	KW	2,358
Water	Deep Well Boring	977	Number	2,407
	Shallow Well Boring	9,580	Number	1,860
	Latrine	1,410	Number	1,002
	Water Supply Network	1,623,224	Length Mts	9
	Water Supply Reservoir	523	Number	3,539
Irrigation	Canal Cleaning	1,855	Hectares	773
	Canal Construction	18,438	Hectares	511
	Protection Wall Construction	133,411	Length Mts	98
	Water Reservoir Construction	5,542	Hectares	587
	Karez Rehabilitation	5,643	Hectares	739
Transport	Tertiary Road Basic Access	3,265	Km	7,471
	Tertiary Road Gravelling	1,967	Km	13,626
	Culvert Construction	3,094	Number	2,442
	Pathway Construction	2,919	Length Mts	24
Rural Development	Community Centre	921	Number	21,451
Education	Classroom	123	Number	9,841
Health	Clinics	4	Number	64,850

Source: NSP MIS database (as of March 2014)

To provide context to the NSP unit cost figures, the cost-effectiveness analysis also presented comparator costs of similar government programs and international benchmarks.²² The table below outlines

²¹ Atos Consulting. (2014). National Solidarity Program: Phase III Financial and Economic Analysis, Final Report.

²² Sources of information for the comparator costs included: (i) the National Emergency Rural Access Project (NERAP) and the



expenditure comparators for four key NSP sectors (roads, power, irrigation, and water), as well as school buildings within the rural development sector:

Table 4b - NSP Benchmarks

Category	NSP III	Benchmark Comparators	Source of benchmark
Roads graveled (per Km)	\$13,626	\$11,000 to \$26,000	World Bank Rocks Database
		\$35,000 to \$45,000	MRRD NERAP
Basic Access (per Km)	\$7,471	\$11,000 to \$17,000	World Bank Rocks Database
MHP schemes (per KW)	\$2,358	\$1,800 to \$6,000	MHP NGO
		\$4,400	MRRD
Canal rehabilitation (per hectare)	\$579	\$800 to \$1,350 (Mix)	MRRD/Card-F
		\$300-\$400 (Rehab)	WB ASR
		\$3,000 to \$4,000 (New)	WB ASR
Shallow/Deep Water Wells (per well)	\$1,860 to 2,400 (c\$23 per person)	\$23-\$100 per person	The Water Project.Org
School construction (per class room)	\$9,841	\$9,000 per class room	Oxfam, Unicef

Source: Atos Consulting Analysis

The cost-effectiveness analysis found that for outputs where comparable data was available, NSP was at the lower end or within domestic and international benchmark norms. The exception to this was school building investments, where costs exceeded the comparator (but by less than 10 percent).

Cost-Benefit Analysis

A cost-benefit analysis (CBA) of the four primary investment sectors of NSP IIIA (power, water, irrigation, and transport) found an overall Economic Rate of Return (ERR)²³ of 41.4 percent, and a Benefit Cost Ratio (BCR)²⁴ of 2.5:1. Table 4c presents a summary of the impact valuation approach for NSP III CBA.

World Bank’s Operations Evaluation Unit Rocks Database for information on transport investment; (ii) the Ministry of Energy and Water and international benchmarks for MHP investment; (iii) MAIL (CARD-F12) for cost data on irrigation infrastructure and the World Bank’s Afghan Agricultural Sector Review (ASR); (iv) Water Project NGO for shallow and complex well solutions; and (v) UN for school building program costs.

²³ The ERR estimates the Net Present Value of monetary costs and benefits for each sector. An ERR that exceeds the discount rate (12 percent in the case of NSP investments) indicates that the investment portfolio makes a positive contribution.

²⁴ The BCR is another way of presenting the results. Where the BCR is greater than one it again demonstrates that the investment portfolio makes a positive contribution to the economy.

Table 4c - Impact Analysis Indicators and Parameters

NSP parameters	Details
Discount rate	12% (NSP project appraisal discount rate)
Exchange rate used for analysis	US\$1=50AFN at appraisal / and IUSD = 69.55 AFN as of December 21 st 2017.
Time horizon	Asset life of investment as provided by NSP engineering division and FPs
Economic costs	NSP Block Grant contribution Community contributions (as recorded by FPs) NSP and FP overheads based on a % of the block grant (at a combined factor of 37.8%) Maintenance costs (as a benefit where reduction occurs) Local labor costs incorporated as a benefit
Benefits monetized	Water projects: (i) time saving from water collection and (ii) cost reduction related to waterborne diseases (visits to health centers and medicines) Irrigation projects: (i) net value of increased production and (ii) cost savings on operating costs Power projects: (i) cost savings on fuel used, and (ii) additional value attributed to growth in consumption Transport projects: (i) journey time savings/growth in travel, and (ii) value of extra goods sold Clinic projects: (i) time and cost saving in reaching clinics ii) reduction in the value of lost working days from illness. School projects: (i) willingness to pay for local provision Community centers: (i) willingness to pay for use of centers
Values used across NSP sectors	Value of time saved: two thirds of local market wage rate for adult labor and one third for children's time Agricultural produce: market value of specific produce Fuel saved: market value of diesel Marginal cost of energy: Kabul EGB tariff rate Transport cost savings/Growth in passengers: market price of transport cost Health benefits: market price of medicines

A particular issue for the CBA methodology was the inclusion of schools, clinics and community centers in the economic analysis. These types of investments had not been previously assessed from a CBA perspective. This was partly due to their small share in the NSP portfolio, and partly due to the difficulty of monetizing benefits. NSP expressed an interest in examining these areas of investment however, as demand had been increasing for these types of sub-projects.

The methodology in assessing schools, clinics and community centers was arrived at after examining a range of perceived community benefits. Based on a review of several valuation approaches the following was adopted: (i) for community centers the willingness to pay method was used to elicit a value in addition to understanding costs avoided as a result of a new community facility; (ii) for schools the value of time saved from having better access to school facilities and asking about families' Willingness To Pay; and (iii) for clinics the benefits from reduced travel time to access a clinic and the reduction in the value of lost working days from illness.



Power Sub-Projects

The cost-benefit analysis of sample power sub-projects found an average Economic Rate of Return of 40.2 percent. The rate varied from 16 percent to 98 percent. This economic return estimate included two projects for which benefits had been delayed by two years. The projects had been completed by NSP, but were awaiting connection to the mainline generator. Inclusion of these projects equated to an overall loss in benefits by 3.8 percent.

The sample consisted of 21 sub-projects, with Micro Hyrdro Power Units accounting for 48 percent of the sample, while connection/reconnection to mainline power services accounted for 52 percent. The analysis took into account the monetary value of the following: (i) the cost savings of switching from predominantly diesel-based power sources to MHP; and (ii) mainline power and the value of additional usage made available by a mainline power source. Capital costs, user charges, and an allocation of Facilitating Partner and NSP management costs also made up the total investment cost over time. The economic analysis of MHP schemes was undertaken over a 10-year time horizon, while that for mainline power projects was undertaken over a 15-year time horizon. This reflected their estimated asset life.

Table 4d provides a summary of ERR by region and shows that all ERRs are positive and remain so after testing a 25 percent reduction in benefits and a 10 percent increase in costs.

The West region would have shown a higher rate, at 69 percent, if it were not for a delay in benefits from the two aforementioned projects awaiting connection to the mainline generator. The higher rate in the North-East region was underpinned by a cluster of MHP schemes under implementation.

Table 4d - Economic Rates of Return by Region

Regions	Average sub-project cost (US\$)	ERR (percent)	Sensitivity Analysis (benefits fall 25%/costs increase by 10%)
Central	66,401	39%	27%
East	52,435	44%	27%
West	36,574	40%	30%
South	48,867	21%	14%
North East	27,836	52%	34%
North West	31,028	41%	28%
Total	37,140	40%	27%

Source: Atos Consulting analysis 2014

Water Sub-Projects

The cost-benefit analysis of sample water sub-projects found an average Economic Rate of Return of 40.5 percent. The rate varied from 12 percent to 132 percent. This estimate allowed for a 10 percent failure rate for projects that were not fully functional.

The sample consisted of 30 NSP IIIA sub-projects across all six regions. Selected sub-projects included shallow well boring schemes and a smaller number of water supply network construction sub-projects, reflective of the overall profile of sub-project investment in NSP IIIA. The analysis took into account the monetary value of: (i) time savings due to the availability of clean water from a nearby source; and (ii) cost



savings from less treatment of waterborne diseases. Capital costs, user charges, and an allocation of Facilitating Partner and NSP management costs also made up the total investment cost over time. The economic analysis of deep well, shallow well and water supply network infrastructure was undertaken over a 15-year time horizon.

The analysis of shallow well projects indicated an average ERR of 49 percent, while water supply networked schemes indicated an average ERR of 29 percent. Sub-projects in defined hilly areas returned a 38 percent ERR compared to 52 percent among sub-projects in the plains.

Table 4e provides a summary of ERR by region, after allowing for a failure rate of 10 percent. It shows that all regions remain above 12 percent after applying a 25 percent reduction in benefits and a 10 percent increase in costs. The exception to this is the South region, whose lower ERR reflects the region having one failed sub-project included in its sample. The higher than average economic return in the North-East region is driven by three shallow well projects that had lower than average cost for the sector and above average time savings.

Table 4e - Economic Rates of Return by Region

Regions	Average sub-project cost (USD)	ERR (percent)	Sensitivity Analysis (benefits fall 25%/costs increase 10%)
Central	13,565	43%	30%
East	25,151	43%	27%
West	29,303	28%	18%
South	13,565	39%	26%
North East	10,077	106%	73%
North West	26,646	45%	30%
Total	22,082	40%	30%

Source: Atos Consulting analysis 2014

Irrigation Sub-Projects

The cost-benefit analysis of sample irrigation sub-projects found an average Economic Rate of Return of 61.5 percent. The rate varied from -3 percent to 198 percent. This return was arrived at after accounting for one failed project out of the 22, or 5 percent of the sample projects, and netting off additional costs of production.

The sample consisted of 22 irrigation projects. Selected sub-projects included canal and aqueduct construction, water reservoirs and water dividers. Canal construction made up 59 percent of the sample, while aqueduct construction made up 18 percent, and water reservoirs 14 percent. The analysis took into account the monetary value of the extra produce from improved yields and the impact of the expansion of irrigated lands.²⁵ On average the sub-projects selected had been completed for some 30 months, thereby providing a sample of communities that had the experience of two or more cropping seasons. Capital costs, maintenance and operational charges, as well as the allocation of Facilitating Partner and NSP management costs also make up the total investment cost. The economic analysis was undertaken over a 10-15-year time horizon.

The table below provides a summary of ERR by region. The four regions covered showed a return above 12 percent after applying a 25 percent reduction in benefits and a 10 percent increase in costs. The

²⁵ Only yield and land expansion effects are taken into account in the impact analysis. The value of production uses the baseline period (or before project) reported produce market value.



relatively high economic return in the North East region is due to the sample being dependent on one project; a relatively low cost water divider scheme that positively impacted on a large area of land. The ERR average for sub-projects in defined hilly areas was 34 percent compared to 77 percent for those in the plains.

Table 4f - Economic Rates of Return by Region

Regions	Average sub-project cost (USD)	ERR (percent)	Sensitivity Analysis (benefits fall 25%/costs increase 10%)
Central	13,247	47%	31%
East	23,690	58%	38%
West	19,348	74%	50%
North East	13,158	117%*	82%
Total	22,144	61%	37%

Source: Atos Consulting analysis 2014

Transport Sub-Projects

The cost-benefit analysis of sample transport sub-projects found an average Economic Rate of Return of 30.8 percent. The rate varied from -15 percent to 144 percent.

The sample consisted of 33 NSP IIIA transport sub-projects across all six regions completed more than a year earlier. The average time since completion was 17 months. Selected sub-projects included graveled tertiary roads and basic access roads, as well as other interventions such as culvert and pathway construction schemes. The analysis took into account the monetary value of: (i) time savings due to better connectivity (including time savings to local markets and time saved by children getting to school); (ii) transport cost savings; and (iii) the value of increased volume of agricultural produce. Capital costs, user charges (where applicable) and an allocation of Facilitating Partner/NSP management costs make up the total investment cost over time. The economic analysis was undertaken over three years for gravelling sub-projects and 15 years for other sub-projects.

Tertiary road gravelling schemes generated an average ERR of 29 percent. Transport projects in defined hilly areas produced an ERR of 11 percent compared to 36 percent in the plains.

The table below provides a summary of ERR estimates by region. It shows that all regions achieved an ERR above 12 percent. However, after applying a sensitivity analysis (a 25 percent reduction in benefits and a 10 percent increase in costs), the returns in the Central and East schemes fall below 12 percent. The higher rate of return found in the West region was due to the regional sample consisting of four culvert projects.

Table 4g - Economic Rates of Return by Region

Regions	Average sub-project cost (USD)	ERR (percent)	Sensitivity Analysis (benefits fall 25%/costs increase 10%)
Central	26,583	17%	9%
East	23,497	24%	10%
West	12,389	85%	58%
South	20,250	26%	16%
North East	41,526	45%	18%
North West	43,904	49%	20%
Total	27,032	31%	16%



Other Sectors:

Community Center Sub-Projects

The analysis sample consisted of 11 sub-projects spread across six regions. Beneficiaries articulated the value of community centers by providing information on the cost of attending events now hosted in the community, and by providing information on how much they would be willing to pay to have closer access to such facilities.

The average willingness to pay (WTP) per community was found to be US \$ 124 per family per annum, calculated from a wide range of values provided by communities across the sample. Among the sampled projects there were examples of community centers that had relatively low usage levels and less than universal access for the community. In such cases this translated to low WTP figures and consequently low ERRs. On the other hand, there were centers where communities reported high levels of appreciation, a high use of facilities and consequently, high WTP figures. Using this valuation approach over a 20-year asset life generated an average ERR of 15 percent. The top three community centers in the survey sample returned an average ERR of 35 percent.

Clinic Sub-Projects

The demand for clinics as a type of infrastructure did not form a significant part of NSP III at the time of analysis. Under NSP IIIA, 16 projects had been financed and 6 completed (0.1 percent by number and 0.2 percent by value).

The criteria to analyze sub-projects that had been completed for 12 months or more, combined with security issues meant that there were no qualifying NSP III projects for the analysis and the sample included only NSP I and II projects. Five projects were selected in the North West and Central regions.

Beneficiaries articulated the ways in which the provision of local clinics had impacted their communities. The benefits included a reduction in travel times with associated cost savings. Applying these values provided an average ERR of 41 percent and a range across the sample of 8 percent to 111 percent.

Higher economic returns were found in more remote villages, where travel cost savings formed a significant part of the overall benefits. For example, Dew Qul Archtoo, a joint CDC sub-project with Archtoo Bala CDC, achieved an ERR of 111 percent. Here the reduction in travel time was from three hours to one hour, and for the other village the reduction was from two hours to one hour.

School Sub-Projects

The demand for school buildings has not formed a significant part of NSP. Under NSP IIIA, 74 projects have been financed and 32 completed (0.3 percent by number and 1 percent by value). The sample for analysis comprised 13 sub-projects with ten undertaken in North West region and three in the West.

Beneficiaries articulated the economic value of a more locally accessible school by providing information on the cost of travel and expressing a view on their willingness to pay. While this is a difficult valuation question, beneficiaries expressed opinions, and the average willingness to pay was found to be \$31 per annum per family (with a wide range from \$6 to \$140). Incorporating these expressed values within the



analysis provided an average ERR of 17 percent.

ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

Comments from the Government:

1. On local Governance pp. 14-16

The variation of CDC's performance across different parts of Afghanistan (as found by Altai, 2013 and other studies) speaks to persistence of tribal structures in the East and South and the weakening of tribal structures in the North, Central and Western regions. In the former, the role of CDCs remained largely limited to development (their primary mandate), whilst in the latter, CDCs often took the role that earlier had been performed by tribal elders. NSP and most of the Facilitating Partners largely focused on building CDCs' role to work towards local development (this included conflict resolution related to development funds (allocation and administration). Conflict resolution related to non-development funds (such as land disputes, gender relations, or access / control over public lands) has been largely left to tribal elders (where they remain important public authorities) and this non-interference in local social structures has allowed NSP to operate relatively easily in the more conservative, tribal areas of Afghanistan.

Further, the CDC By-Law in Article 17 states that 'the shura (CDC) can mediate to solve the arguments and disputes of community members' and that 'Dispute resolution by the Shura shall be voluntary and be based on the concurrence of all involved parties'.

The Client considers the definition of 'Local Governance' as outlined in footnote 7, p. 13 too narrow. Instead, NSP views Governance as identifying and addressing the broad field of coordination problems related to development, including a general restructuring of decision-making to achieve greater inclusion and participation, and ensuring a link between social action and discussion/ negotiation.

2. On Linkages (pp. 15-16)

Linkages building in NSP was limited because there were no formal platforms for CDCs or Cluster CDCs to link to at the District level. District Governors or line ministry district officials provided no spaces or periodic meetings for CDCs or Cluster CDCs to connect to the local state and raise development concerns; at the same time, the District Administration did not attempt to coordinate development activities (including disaster risk reduction). In the Citizens' Charter this issue has been addressed through the District Citizens' Charter Management Committee (composed of the District Governor and all CC Line Ministry District Staff) which will meet each Cluster CDC quarterly to coordinate development activities and ensure that Grievances related to Government Services Delivery (Education, Health, and Agriculture, as well as Drinking Water, and Energy) are raised, discussed and addressed, or forwarded to higher levels for resolution.

3. On the Justification of the Overall Efficacy Rating 'Modest' (p.17)

The client appreciates the overall rating of the ICR, but does not agree with the 'modest' rating for overall efficacy. The reasons cited for this rating are (a) the basic model of large and infrequent block grants, (b)



the lack of institutionalization and clarity about their local governance role beyond the project cycle, as well as (c) sufficient cross-Government acceptance and continued dependence on donor funds. As to point (a), this is a design issue and reflects the fact that there had been no investment in rural communities and massive destruction of infrastructure due to decades of conflict necessitating large grants to rebuild basic services in terms of drinking water, irrigation, transport, etc. As to point (b) NSP's project cycle was 3 years and it can hardly be expected that democratic practices would take hold and become institutionalized in such a short time. To put the institutionalization of inclusive and participatory governance into perspective, one may note that in countries in the region with decades of democratically elected local councils (Pakistan, India, Bangladesh), traditional institutions (customary public authorities) continue to influence the workings of democratically elected councils. It is also important to note CDCs' roles as bodies responsible for 'governance of the development process' has been largely accepted even in the more conservative tribal areas. Finally, as to point (c) numerous Ministries (as noted in the ICR) including the Ministry of Agriculture did accept CDCs and implemented their development programs through them.

4. On the NSP II Impact Evaluation Findings (p. 17)

The ICR point to NSP II's Impact Evaluation findings on irrigation and transport which found that irrigation and transport (rural roads) projects have been less successful. NSP commissioned two peer reviews because of the following reasons:

On the NSP IE findings on Irrigation, Agricultural Yields, and Productivity:

- i. The IE looked at Average Treatment Effect, not Average User Effect, which means that the study asked 20 persons from 10 landholding households (husbands and wives) about their perception of 'sufficient' water for irrigation. The persons asked may or may not be the persons who benefitted from the intervention. (A sentence reflecting this reality was added in the main body of the text, but not the executive summary).
- ii. The study does not take into account that the collection of end-line data (in the mid-line data the projects were not yet completed) took place in a drought year. In fact, in 2011, the nation's wheat harvest was nearly 30 percent less than in 2010. Given that the IE asked about perceptions in changes in income from one year to the next (2010 to 2011), it is likely that farmers, anticipating or experiencing general price inflation because of the drought, may have answered negatively.
- iii. Of the 134 'irrigation' sub-projects studied, 28 sub-projects were flood protection walls. Although they are part of NSP's irrigation menu, they do not, per se, aid in irrigation, because they do not facilitate the transfer of water to fields, instead they keep water out.

On the NSP IE findings on Transport

- iv. Given the size of the investment in transport, NSP questioned whether or not it was reasonable to expect increases in both on-farm and off-farm productivity and marketing outcomes within the evaluation's time-frame, as the IE has done.



- v. Similarly, complementary infrastructure from other programs that move more slowly than NSP will nevertheless affect returns as they come on-line (i.e. village roads can link to secondary roads) which could suggest that the choice of interval measurement period was not appropriate.

Finally, there is also the question about the external validity of the IE analysis for national policy given the specific context of the study, and the contradiction between the impact evaluation's overall findings and the other reviews of NSP that used traditional measures such as cost-benefit analysis, benefit incidence, and technical assessments of outputs. For example, the Economic and Financial Analysis of NSP III found that the ERR for irrigation projects averages 61 percent, with considerable variation across the regions (117 percent in the Northeast and 47 percent in the Central Region) and the ERR for transport projects averages 30.8 percent with variation across the regions that ranges from 15 to 144 percent (Atos, 2013. National Solidarity Program: Phase III Financial and Economic Analysis).



ANNEX 6. SUPPORTING DOCUMENTS

The following documents are in the project file:

- Emergency Project Paper (2010)
- Financing Agreement (2010)
- Grant or Trust Fund Agreement (2011)
- First Amendment to Grant Agreement for TF098459 (2014) Ref. Increase of Grant Amount (2011)
- Second Amendment to Grant Agreement for TF098459 (2014) Ref. Increase of Grant Amount (2012)
- Third Amendment to Grant Agreement for TF098459 (2013)
- Fifth Amendment to Grant Agreement for TF098459 (2014)
- Amended and Restated Grant Agreement for TF098459 (2015)
- Second Amended and Restated Grant Agreement for TF098459-AF (2016)
- Restructuring Project Paper (2015)
- Implementation Status and Results Reports (ISRs #1-14, 2010-2017)
- Integrated Safeguards Data Sheet (2015)
- Environmental and Social Management Framework (2015)
- Project aide-memoires
- Procurement Plan (2011)
- NSP Annexes (2012)
- Operational Manual (2011)
- Operational Manual Version Six—Revised (2015)

Additional NSP and World Bank Documents

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Altai Consulting. (2016). Afghanistan Reconstruction Trust Fund - Third Party Monitoring Supervisory Agent: Annual Report: Year 1, November 2015 to October 2016.

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Fishstein, P., and Wilder, A. (2012). Winning Hearts and Minds? Examining the Relationship between Aid and Security in Afghanistan. Feinstein International Center, Tufts University.

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