Afghanistan: The Role of the National Solidarity Program and National Emergency Employment Program in National Reconstruction

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Executive Summary

For the first time in more than two decades, the people of Afghanistan have a chance to build a peaceful, prosperous society. Today, however, Afghanistan is one of the world’s poorest countries, with disastrous economic and social indicators. Substantial and sustained support is required to ensure that the proposed National Development Framework and national budgets become effective instruments for policy reform. The key to success is simultaneous progress on numerous fronts, particularly those involving the economy, politics, security, and counter-narcotics.

Community-driven development is a centerpiece of Afghanistan’s development strategy. International experience suggests that projects planned and managed by communities typically have higher returns than those planned and managed by government agencies. The former projects also enhance local ownership—a key factor for sustainability. Moreover, evidence from World Bank–financed projects shows that community projects are especially appropriate in postconflict environments.

The National Solidarity Program and the National Emergency Employment Program were launched as pilot initiatives in 2002 to provide immediate, tangible benefits to poor and vulnerable Afghans throughout the country, supporting reconstruction from the bottom up. Both programs are proving crucial in establishing mechanisms for harnessing national assets, guiding the reconstruction process, and—perhaps most critically—confirming the new transitional government’s role as facilitator of progressive reform. How are these two flagship poverty reduction programs contributing to Afghanistan’s reconstruction? And what factors will underpin their scaling up and increased impact?

Objectives and impacts

The National Solidarity Program and National Emergency Employment Program were designed, on the basis of international post conflict experiences and lessons learned, as complementary initiatives. Both seek to instill principles of entitlement for Afghan citizens through sustainable nationwide transfers and management arrangements. These transfers include both financial resources (block grants to communities under the National Solidarity Program, investments in infrastructure for local governments, and cash payments to households under the National Emergency Employment Program) and services to strengthen institutions (primarily to community development councils under the National Solidarity Program, and to public administrations and private enterprises under the National Emergency Employment Program).
The National Solidarity Program supports small-scale reconstruction and development projects identified by communities, and empowers them to make decisions and control resources during every stage of the project cycle—providing a national foundation for democratic governance and poverty reduction. It aims to cover every village in Afghanistan within four years. The National Emergency Employment Program provides a safety net for vulnerable Afghans by creating productive employment opportunities and establishes mechanisms for developing infrastructure (particularly roads) using labor-based methods, based on an approach led by the private sector.

It is far too early to judge the success of either program, and even their potential impacts need to be considered in context. Afghanistan has an uncertain future. Requirements for sustainable poverty reduction extend far beyond the programs’ boundaries and into the international dynamics of political economy. This is so even to the extent that these programs are inspired by international best practices and achieve impressive scaling up, full international financial backing, and support from the highest levels of government. Major strides have been made in the past two years, but in the current context there are no fast tracks to state building or guarantees of what lies ahead. Thus, a cautious approach is needed. Moreover it should be stressed that existing analysis is based only on preliminary data and reports from key stakeholders, as management information systems are currently under development.

Ambitious targets for accelerated scaling up have been set for grant-funded community projects (under the National Solidarity Program) and for jobs to develop rural infrastructure (under the National Emergency Employment Program). Given the challenges of advancing reconstruction in the fragile postconflict environment, and of installing coherent systems rapidly to accelerate project implementation by a wide range of stakeholders, initial expectations for pilot initiatives may have been somewhat unrealistic. Still, with more than a year of experience, the stage is set for scaling up.

Despite the political imperative to demonstrate immediate and tangible results, some of the most significant achievements to date of these pioneering programs may not have received sufficient recognition. The enormous challenges of expansion have required further outreach, moving beyond households and villages to the national agenda for policy reform, to institutional restructuring, and to international relations—where inspiring confidence will secure lasting support.

**Driving factors**

Four factors are emerging as critical to the existing and continued success of the National Solidarity Program and National Emergency Employment Program. The first is political commitment. The national development budget has been used to support policy reform,
making it possible to channel international financial assistance according to government investment priorities. To that end, the government recently issued a seven-year investment plan that includes the $1.3 billion required for the two programs.

Second, innovative arrangements have been crafted to achieve the service delivery and capacity-building objectives of national programs. This has been helping to overcome two decades in which the public administration was eroded by the exodus of trained personnel, the collapse of a meaningful payroll system for civil servants, and a lack of exposure to new approaches. The National Solidarity Program and National Emergency Employment Program have been instrumental in reforming the government’s role as project facilitator, with private and civil society organizations acting as implementers. But the private sector and civil society also have limited capacity, and successful scaling up of the two programs will depend on parallel scaling up of complementary support measures—ranging from regulatory and legal frameworks to microfinance and other support service delivery mechanisms. For the National Solidarity Program, the establishment of community development councils has been a central component of operations.

Third, as priority national programs, the political pressure to accelerate expansion must be balanced with the need to systematically harness opportunities for ongoing learning and experimentation. Within the National Solidarity Program, implementation arrangements are highly conducive to sharing experiences among 22 facilitating partners. The most powerful drivers for learning and experimentation often lie within communities. Further efforts are required to strengthen communication between communities and local governments, to promote exchanges and learning among communities, and to establish mechanisms for participatory monitoring and evaluation. In addition, care is needed to ensure a gender-sensitive approach, to promote the equity and empowerment objectives at the core of both programs.

Finally, the enormous challenges of Afghanistan’s reconstruction agenda show the extent to which crises can generate opportunities for progressive reform and social transformation. Lessons from Bank experiences with introducing a community-driven approach in politically complex situations (for example Indonesia’s Kecamatan Development Program and recent experience in East Timor), have been especially influential for policy reforms. Other technical agencies are supporting the development of delivery mechanisms to build the confidence of foreign donors and sustain financial support.
Lessons

Securing Afghanistan’s future will obviously require much more than a couple of poverty reduction programs. Still, as the first-priority national programs to be implemented, and with more than a year of experience, the potential significance of the National Solidarity Program and National Emergency Employment Program for Afghanistan’s reconstruction is becoming increasingly apparent. Together the programs have provided an essential focus point for key stakeholders at all levels, building consensus and providing a clear vision for policy and institutional reforms.

This catalytic role, while not explicitly recognized in program objectives, has been essential in accelerating the reform and restructuring—in the public administration, private sector, and civil society—that drives successful scaling up. The early experience with the two programs points to five key lessons:

- Transformative poverty reduction programs can be harnessed as catalysts for policy reform.
- Investing in institutional restructuring and strengthening is essential to accelerated scaling up.
- Pilot initiatives can play a key role in building experience and confidence.
- Sustainability issues—fiscal, political, and social—must be addressed from the outset.
- The long-term agenda for successful scaling up needs to be pursued at the same time as other reforms.

Afghanistan stands at a political crossroads. In this context the National Solidarity Program and National Emergency Employment Program represent the government’s new policy orientation and, by incorporating proven international design features, have begun to contribute to its realization. With successful scaling up, these programs’ contribution to Afghanistan’s future will ultimately be determined by the extent to which they are able to support Afghans in deciding for themselves where their national interests and priorities lie.
“In order to organize activities and provide people the opportunity to actively participate in the local administration, a council shall be set up in districts and villages in accordance with the law. Members of these councils shall be elected by the local people through free, general, universal, secret and direct elections for a period of three years.”


‘Afghanistan’s Livelihoods and Social Protection Program has a central strategic role to play in the war against terror, the protection of human rights and the promotion of good governance. Through the NSP and NEEP, the transitional government continues to demonstrate its commitment to reform, partnership, best practice, transparency and accountability.’

_H.E. Haneef Atmar,
Minister for Rural Rehabilitation and Development, Transitional Islamic State of Afghanistan_

**Implementation**

**Political Context**

September 11, 2001 precipitated wholesale changes to the political situation in Afghanistan, transforming the overall context for development and poverty reduction goals. The collapse of the Taliban and the ensuing Bonn Agreement, including the adoption of the January 2004 Afghan Constitution, marks a turning point in the history of Afghanistan after 23 long years of war and natural and human-made disasters. By 2001, over 25 percent of the population was displaced within the region. For the first time in more than two decades the people of Afghanistan have a chance to build a peaceful and prosperous society, although it is still a fragile and unstable situation. The new hopes, embodied by the transitional administration, are combined with high expectations that substantial aid flows and the support of the international community will help rebuild a nation state and restore stability in a very short period of time.

After a quarter century of conflict, Afghanistan is one of the poorest countries in the world. Its social indicators rank at or near the bottom among developing countries. Efforts to reconstruct a war torn nation are taking place against a backdrop of internecine warfare, protracted insecurity, critical state building processes and an increasingly entrenched drug economy. It is now clearer than ever that what is required is substantial and sustained support to guarantee that the proposed National Development Framework

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1 Afghanistan has emerged as the world’s largest opium producer, with production last year estimated to be around 3,600 tons. An estimated 200,000 families cultivate poppy providing an annual net income of around US$2,500 per family, and wage rates for the estimated 1 million daily laborers involved during peak periods go as high as US$10 per day. Thus, poppy cultivation plays a major role in the Afghan economy, and a recent report by the IMF suggests that the opium drug business accounts for 40-60 percent of Afghanistan’s GDP. The opium drug business thrives in a fragmented political setting, and there are serious grounds for concern, that those who profit from this business would have a vested interest in undermining the governments state building efforts, or would command sufficient financial power to influence the elections planned for 2004.
(NDF) and the national budgets become effective instruments of policy reform, in all sectors. Partial achievements will be short lived. The key to success is simultaneous progress in the economic, political, security and counter-narcotics domains.

Time is of the essence in harnessing Afghanistan’s potential opportunities and resources so as to ensure the creation of a stable and prosperous society. Adding to the urgency for large scale assistance to promote the recovery of Afghan communities, was the unprecedented scale of voluntary return from neighbouring countries of some 2.5 million refugees during 2002 and 2003, most often to urban areas. Another half million Afghans who were displaced inside the country have also largely returned to their homes during this period. But while the agenda for stabilization, growth and poverty reduction remains highly complex, with a transitional government (the Transitional Islamic State of Afghanistan) committed to reform, full multi-lateral engagement and the resources and determination of Afghans themselves, there is a possibility of success.

The National Emergency Employment Program (NEEP), were first launched as a pilot initiative in late 2002 to ensure immediate and tangible benefits for poor and vulnerable Afghans through out the country, and the National Solidarity Program (NSP) was subsequently launched in April 2003. These programs have already proved critical in establishing mechanisms for harnessing national assets, setting the reconstruction process on track, and perhaps most critically, confirming the new transitional government in its role as a facilitator of progressive reform.

Acceptance of the current administration by Afghans depends in no small measure on its ability to deliver long awaited assistance through out the country. Beyond popular expectations for a peace dividend, the development of a strong framework for strengthening local governance and promoting community development has emerged as critical precondition for poverty reduction and the promotion of social cohesion. At the local level, relationships of trust need to be built between government and citizen. For the first time there is consensus that Afghans must be able to hold government and service providers directly accountable for the service delivery.

TISA is committed to value and nurture this accountability at all levels. A first step in building accountability is ensuring that the people of Afghanistan know in clear terms the minimum standards they can expect from their service providers. Getting the relationship rights between clients, service providers and policy makers is a key challenge to address, given the inherited legacy of almost non-existent service delivery, inadequate infrastructure and depleted human resources. A balance needs to be achieved in providing services to the population within a relatively short time span while at the same time building sustainable institutions of public administration, finance and the private sector. While it can appear attractive to bypass dysfunctional institutions in the
short term so as to meet urgent needs, international experience suggests that this simply postpones the fundamental requirement for well functioning and accountable institutions. It is imperative that the ongoing crisis management of urgent needs does not become established as the long term equilibrium state of affairs

**Rationale and Objectives**

On January 22, 2002, at the Tokyo International Conference for Reconstruction Assistance to Afghanistan, then Chairman of the Afghanistan Interim Authority, Hamid Karzai proposed a program initiative to be launched to enhance democracy, generate employment and rebuild productive infrastructure. Community development was presented as a centerpiece of the development strategy for Afghanistan. The now President Karzai, stated that the transitional government:

> ‘intends to implement a local empowerment program that would allow communities to manage their own resources. Such a program would allow legitimate leaders to emerge and deal with issues facing their communities with forming a basis for consultative democracy in the future. Block grants would be distributed to villages and districts, and allocated to projects through inclusive and participatory processes and on the basis of simple criteria’.

International experience suggests that where appropriate, projects planned and managed by the communities themselves typically show rates of return higher than those planned and managed by government agencies, as well as enhancing ownership, as a key factor to ensure the sustainability of assets created. Moreover, a growing body of evidence from Bank financed projects demonstrates that community projects are particularly appropriate for post-conflict environments. Hence, the National Solidarity Program (NSP) and National Emergency Employment Program (NEEP) were born as twin initiatives, consolidated as one of the six National Priority Programs of Afghanistan and presented to international partners in 2002 as a national initiative for reconstruction from the bottom up. With an initial US$42 million start up grant from the World Bank, the Emergency Community Empowerment and Public Works Project (ECEPWP) installed two distinct objectives at the core of Afghanistan’s agenda for reconstruction: accelerated support for community mobilization and local governance through transparent collective action and, the immediate generation of employment through infrastructure projects directly contracted by the Government.

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2 For example in Rwanda close attention to using joint community activities to promote reconciliation between ethnic groups has been successful. The East Timor Community Empowerment Project also highlighted the advantages of a mechanism which could be scaled up rapidly in post conflict environments.
Of the total grant for ECEPWP, US$22 million went towards a flagship initiative (to evolve into the NSP) launched in April 2003 to support small-scale reconstruction and development activities identified by communities across the country. The purpose of this initiative was to launch and test a new development paradigm for Afghanistan, whereby for the first time rural communities are empowered to make decisions and control resources during all stages of the project cycle. Nationwide coverage was recognised as a crucial requirement from the outset in order to ensure that the program was perceived as equitable by the Afghan people. The provision of a US$95 million IDA grant together with additional commitments from international partners providing a further US$65 million by early 2004 represents a seamless continuation of the NSP with the first year of implementation from August 2003 to July 2004. The scaling up of the original target, 800 village communities in the first year, to 4,100 village communities was built into the NSP design from late 2003 when it was decided to implement the program through facilitating partner NGOs. The recurrent block grant transfer component will begin in year two for those villages having already successfully implemented sub-projects.

For a summary of the pilot projects and investments for scaling up see Annex 1.

Through a pioneering approach NSP seeks to build grassroots confidence in the new central administration, with communities empowered to make decisions and control resources during all stages of the project cycle thereby providing a national foundation for good democratic governance. The objectives of the NSP are to (i) establish a framework for village-level consultative decision-making and representative local leadership as a basis for interaction within and between communities on the one hand, and with the administration and aid agencies on the other, and (ii) promote local-level reconstruction, development, and capacity-building which will lead to a decrease in poverty levels. The Government’s stated target is to have NSP cover the country’s estimated 20,000 rural villages over a four year period so as to provide a single-window framework for village level reconstruction and development activities. The long term vision is to harness the project to (i) build sustainable human capital and (ii) establish a national mechanism for recurrent transfer of block grants for all village communities in the country.

US$16.5 million of the ECEPWP went to the pilot program for emergency employment creation focused on the generation of short term employment opportunities for poor and vulnerable people, while creating productive public goods. The primary focus of the public works investment was road construction and rehabilitation, along with some irrigation, so as to improve access to basic services and markets in rural areas. An

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3 The detailed operational modalities of the program are described in the draft NSP Operational Manual.
In June 2003 the National Emergency Employment Program for Rural Access (NEEPRA) was approved with initial funding of US$39.2 Million IDA, as an extension of the LIPW pilot phase initiative\(^4\). However, the development of a NEEP as a strategic framework, together with the establishment of an Inter-ministerial board and Joint Program Management Unit, enabled the Government to harness a total of US$126 million committed by various international agencies for labour based infrastructure projects\(^5\). The objectives of NEEP are: (i) the provision of a safety net for vulnerable people by creating productive employment opportunities; and, (ii) the establishment of effective mechanisms for developing infrastructure assets through labour based methods and based on a private sector led approach. Figure 1 below outlines the evolution of the NSP and NEEP programs.

**Figure 1. The Evolution of the NSP and NEEP**

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\(^4\) Implemented under NEEP umbrella, NEEPRA includes 3 components: US$14.8 million grant for the construction, rehabilitation and maintenance of tertiary roads, US$20.4 million credit for the construction, rehabilitation and maintenance of secondary roads and US$ 4 million technical assistance for the JPMU to strengthen the overall coordination function.

\(^5\) In addition to core IDA finance, investments consolidated under the NEEP umbrella include various targeted employment generation initiatives including works to support the promotion of alternative livelihoods in poppy growing areas, the provision of employment for those at risk during the cold season and the sustainable reintegration and returnees and IDPs.
Consistency with National Development Framework Objectives

The National Development Framework: In the aftermath of the Bonn Agreement (December 2001), the draft National Development Framework (NDF) for Afghanistan has provided a compelling vision and strategy for reform and immediate investment in Afghanistan’s reconstruction. Both the commitment to poverty reduction through broad based economic growth and recognition of the critical importance of building public institutions for good governance and the promotion of the private sector lie at the heart of the NDF (NDF, April 2002).

From Humanitarian Assistance to an Effective and Integrated Approach to Social Policy: 80 percent of Afghanistan’s population lives in rural areas where incomes are often at a subsistence level due to high pressure on cultivable land, cyclical droughts and the destruction of livelihood assets as a result of chronic instability. An estimated 70 percent of rural households live below the poverty line (drawn at US$2 per day) and current non drug GDP per capita is in the order of US$200. (TISA, Securing Afghanistan’s Future, 2004). Other highly vulnerable groups include some 2.5 million returnees, over one million disabled people, around one million pastoralists, those at risk during the cold season, war widows and orphans. Poor and deteriorated infrastructure further increases costs to remote rural populations and presents a significant challenge to inclusive economic recovery. War has not only devastated Afghanistan’s existing infrastructure, but also prevented maintenance and new investment taking place. Hence infrastructure requirements cover the entire spectrum of possible interventions, i.e. maintenance, rehabilitation, replacement and new investments.

In order to redirect the international focus on ongoing relief and humanitarian programs in 2002, the Government sought from the outset to redress the balance through the prioritisation of consolidated mechanisms which can strengthen the national and sub-national institutions of government. The shift from a humanitarian lens to a longer term social policy framework for reconstruction has led to the promotion of the national development budget as a central instrument of policy reform, to set both short and longer term human development and to coordinate donor assistance and allocate financial resources accordingly.

The introduction of sectoral Public Investment Programs (PIPs) in 2003 resulted in enhanced focus and consensus regarding the comprehensive reforms and public

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6 National Development Framework (AIA, 2002)
7 For a detailed government statement see ‘From Humanitarian Assistance to Social Protection’ TISA, MRRD. Paper prepared for the Afghan Support Group Oslo Meeting, December 2002. (www.afghanistangov.org)
investments required to secure Afghanistan’s future\textsuperscript{8}. NSP and NEEP have been especially instrumental in driving reform within the Livelihood and Social Protection Public Investment Program as a ‘set of public measures that support society’s poorest and most vulnerable members and to help individuals, households and communities better manage risks’\textsuperscript{9}.

The Government explicitly recognizes that the quality of growth matters for improved social indicators and income distribution across different groups and regions. In turn, good social protection policies contribute to higher economic growth and accelerate poverty reduction. Projections for growth and poverty reduction are complicated by the significance of the drug economy, both for livelihoods in general and, specifically as a risk management instrument of poor households through involvement in sharecropping, credit and wage labour arrangements. Despite this, a key national goal is to eliminate opium poppy production, processing and trafficking over the next decade. The promotion of alternative opportunities for income generation and diversification through employment generation is a priority objective for the Government.\textsuperscript{10} Based on possible sources of growth and if security and other prerequisites are in place, Afghanistan would appear to have good potential for economic growth\textsuperscript{11}.

While economic growth is expected to be the principle driver of employment, the immediate requirement for publicly funded poverty reduction interventions as part of a comprehensive strategy for building human and social capital is clear. Facilitating the role of the private sector, community and NGOs will be crucial in areas such as education, health and micro-finance provision but strengthening the public sector at all levels is equally crucial to ensure an effective basis for partnership and to establish Government responsibility for the delivery of basic services. For partnership to work there will need to be a clear understanding of what the respective roles and capacities are, with regulation as appropriate to ensure quality of service.

NSP and NEEP contribute (both directly and indirectly) to a broad range of national priorities (summarised in Annex 2) as a result of direct support to incomes and enhanced local capacities to manage development processes, accelerating the pace of

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\textsuperscript{8} Securing Afghanistan’s Future (January 2004) This joint Government / International Agency report comprehensively identifies and costs necessary public investments based on a twelve year time horizon for outcome targets in line with the Millennium Development Goals (2015), a seven year investment framework related to the twelve year outcome targets and a three year horizon for detailed budget programming.
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\textsuperscript{9} Securing Afghanistan’s Future: Livelihood and Social Protection Technical Annex
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\textsuperscript{10} Securing Afghanistan’s Future: In order for total drug inclusive GDP to grow at 5 percent per year while the drug economy is being eliminated over time, the growth in non-drug GDP needs to be 9 percent per year
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\textsuperscript{11} Forecast at 7-9 percent (high scenario) over the coming 12 years (TISA 2004) – allowing incomes to reach up to US$500 per capita by 2015.
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reconstruction from the bottom up and ensuring tangible improvements in the daily lives of millions of Afghans. Together, these two flagship programs seek to empower communities and local governments with resources and the authority to use these flexibly, thus taking control of their development.

Four key elements of the NSP approach highlight the nature of its expected contribution to national priorities: (i) Facilitation: Facilitation provided at the community level to assist communities establish inclusive community institutions through elections, reach consensus on priorities and corresponding sub-project activities, develop eligible sub-proposals that comply with NSP appraisal criteria and implement approved project-sub-proposals; (ii) System of Direct Block Grant Transfers: Block grants support rehabilitation or development activities (sub-projects) planned and implemented by elected Community Development Councils; (iii) Capacity Building: Capacity building activities enhance the competence of CDC members (both women and men) for financial management, procurement, technical skills and transparency; and, (iv) Institutional Linkage: Activities are undertaken to strengthen links between community based institutions and public administration and aid agencies to enhance access to responsive services and resources.

Given the centrality of unification of ethnic, political and socio-economic divisions to the NSP’s vision, and taking into consideration the widespread devastation and high poverty prevalence across the country, it should be emphasized that from the outset the Government has taken the decision that the NSP should not be geographically targeted. In contrast, to the extent that NEEP has been initially conceived as an instrument for the targeted social protection of vulnerable groups, the development of both area targeting and social targeting mechanisms are considered priorities for strengthening the effectiveness of investments.

The objective of NEEP is to provide a timely, efficient, self targeting cash for work based social safety net. Unemployment and underemployment remain major issues for the Government with rates reported to be running as high as 50 percent in Kabul and even higher outside the capital. NEEP activities involve a wide range of sectors (roads, irrigation, urban development, natural resource management, soil conservation, reforestation) and themes (targeting poor and at risk, vulnerable women, disabled, destitute pastoralists, agricultural labourers affected by the ban on opium poppy production). Rural access infrastructure lends itself well to large-scale workfare programs

\[12\] Community Driven Development: A Vision of Poverty Reduction Through Empowerment (World Bank 2000)

\[13\] However, in the first year of NSP, the initial three districts selected from each province were targeted on the basis of existing vulnerability and refugee return data.

and is therefore one of the key sector investment sub-programs under NEEP. In addition to its short term employment benefits, investment in rural access infrastructure can create assets that will have a lasting poverty reduction impact by improve access of the rural poor to economic opportunities and to basic services. These longer-term benefits are enhanced and made more sustainable as workfare programs are made an integral part of a coherent rural access strategy.

Key to the success of this strategy is the ability of investments to strike an appropriate balance between supporting local government’s technical capacities to plan, manage delivery and monitor and the need to promote legitimate, accountable local institutions. Given the diversity of reconstruction and development needs across regions and between socio-economic groups, flexibility is key. The point of departure is harnessing people’s own local knowledge and ability to identify and address their priorities for reconstruction and development through a participatory process and resource incentives. This in-built flexibility within both NSP and NEEP ensures the channeling of assistance for human and social capital development, physical reconstruction and secure, regulated, private sector investment.

**Institutions Involved and the Initial Degree of Commitment**

**Overall National and International Commitment:** The clearest expression of the level of national commitment to NSP and NEEP is the approval by cabinet of the national development budget, which serves to identify all required finance to meet priority targets as part of overall public investment programs. The 2004\(^{15}\) national LSP amounts to US$352 million, of which investments for NSP (US$161 million) and NEEP (US$66 million) amount to 62 percent of the total budget forecast. Moreover NSP and NEEP constitute 58 percent of the US$2.272 billion for LSP (US$781 million and US$545 million respectively) as outlined in Securing Afghanistan’s Future over the next 7 years – on a commitment and not disbursement basis. Figure 2 below compares the funding totals for NSP and NEEP, against the assumed total LSP budget.

\(^{15}\) While the framework for the Afghan budget is the Solar Year (March 21 – March 20), the Government’s fiscal year, this report uses the Gregorian calendar.
This level of investment would enable scaling up the NSP to cover every village in Afghanistan within a four year time frame (assuming the institutional and absorption capacity expands to meet demand) and the generation of some 244 million labour days for poor Afghans by 2010 through the integration of a labour based approach in rural infrastructure investments. Such intentions represent a significant demonstration of commitment to NSP and NEEP given the fiscal constraints faced by Government, its narrow revenue base and competing claims for finite resources across many other areas of investment, including civil service pay reforms. Existing levels of financial commitment highlight the program’s centrality in the administrations new social policy.

The Afghanistan Reconstruction Trust Fund (ARTF) represents a key mechanism for co-financing of both the NSP and NEEP. The ARTF is one of the main instruments available to the Government of Afghanistan to finance key recurrent expenditures (salaries, capital expenditures, operations and maintenance of key government institutions), as well as finance urgent investments and reconstruction activities planned in the country's economic recovery program. The ARTF can either finance free-standing projects or co-finance IDA or other donor funded projects. Modalities have been developed by IDA, as ARTF Administrator, to allow donors to express preferences for a priority program or project included in the Government multi-year development budget, and for which the Government has requested ARTF funding. The government’s preferred co-financing mechanism would be joint co-financing under an arrangement where funds from different donors are channelled through the Treasury.

To maintain the integrity and principles underlying a multi-donor Trust Fund, the ARTF cannot be used exclusively for the purpose of financing specific programs or projects. Donors who express a specific preference are expected to also contribute to the general allocation. The amount for which the preference is being expressed cannot exceed 50 percent of the donor’s total contribution in a given Afghan Fiscal Year (Solar Year - SY). In a non-legally binding side letter to the Agreement, IDA will communicate its confidence that ARTF will fund the designated program up to the amount expressed by the donor, and this amount would be transferred from the general fund to the specific project fund.
Through the engagement of the Financial Management Agent, the government is in a position to ensure proper accounting for local payments. In addition, the government has also put in place a Grant Management Unit to manage and coordinate all donor projects, and a Cash Management Unit to undertake accounting for all income and manage cash resources under the officer in charge of the Treasury at Ministry of Finance. The government has also engaged the services of an international firm of auditors to assist the Government’s Auditor General in satisfying the donor community regarding audits. These measures reflect the Government’s commitment to transparent and accountable financial management.

**Public Administration:** NSP and NEEP have played a critical role in accelerating the reform and restructuring of the Ministries. In particular the Ministry of Rural Rehabilitation and Development (MRRD) has made fundamental revisions to its mandate, policies and objectives in order to effectively execute responsibility for management of NSP. A number of line ministries are involved in the execution of NEEP (principally MoPW, MRRD and MIWRE) and their specific functions continue to evolve in ways that have fundamentally challenged traditional mandates and functions.

With community empowerment installed as a core vision MRRD’s functions are now: i) policy and strategy formulation; ii) program coordination; iii) program and project execution (with implementation through contracting partners – NGOs, UN agencies, private sector), iv) monitoring and supervision; and v) information dissemination. Two new departments, the Department for Community Led Development and the Department for Rural Infrastructure and Technical Services have been established, with management represented in all thirty two provinces, to oversee the execution of the NSP and NEEP respectively and an extensive training program based on ‘learning by doing’ has been instituted. In particular, it is increasingly recognised that the development of engineering capacity within the public sector is both unrealistic and inefficient. Strengthening the government’s policy and regulatory role to support the private sector through competitive contracting remains a central priority with a number of strategically placed national and expatriate advisors supporting financial management and procurement activities.

Both NSP and NEEP cut across sectors and the mandates of specific line ministries and two national policy bodies have been established to promote broad based ownership within the Government and at the highest level\textsuperscript{17}. For NSP, a national Steering Committee acts in an advisory capacity to MRRD (see Figure 3 below) on overall program policy formulation and direction and oversees program implementation. At

\textsuperscript{17} Close consultation with other ministries also promotes the integration of cross cutting issues (reintegration of returnees, gender, disability, inclusion of tribal communities, counter narcotics etc.).
present the Steering Committee is composed of representatives from MRRD and Ministry of Finance (MoF).

An External Review Committee consisting of donors, UN agencies and the Independent Commission for Human Rights together with MoF and MRRD has been established to review and endorse all policy and contractual issues. An inter-ministerial committee has been established for policy advice and coordination.\textsuperscript{18} For NEEP, the JPMU reports to a National Inter-Ministerial Board (NIB) (see Figure 4 below). The Board has an oversight role with regard to policy development, resource allocation and programming activities. Draft guidelines and procedures for resource allocation, contracting, social targeting and reporting etc require approval from the NIB before they can be widely introduced.

\textit{Technical Oversight:} In support of accelerated launch and scaling up of the NSP, without compromising the effectiveness of program, the contracting by MRRD of an oversight consultant and facilitating partners has been key to the success of activities to date. The oversight consultant has been internationally recruited as of September 2003 (GTZ/DAI), through competitive tender, to assist and build capacities of MRRD. This is being done by placing oversight consultant staff to work closely with government counterparts at central level, in five regional offices and in all provincial level MRRD offices so that eventually MRRD is in a position to take over responsibility for management of the NSP\textsuperscript{19}. The oversight consultant is held accountable for the timely appraisal of community sub-project proposals, timely disbursement of block grant installments to communities and timely submission of monitoring reports to the government.

\textsuperscript{18} The committee is chaired by MRRD and comprises the ministries of Finance, Agriculture, Public health, Education, Irrigation, Labour and Social Affairs, Women’s Affairs, Public Works, reconstruction, Foreign Affairs and Refugees.

\textsuperscript{19} A strategy is being developed to recruit and retain high qualified national staff into MRRD, while broader capacity on CDD will also be built by involving undergraduates from Kabul University in community facilitation and monitoring / evaluation activities through training by facilitating partners.
AFGHANISTAN: THE ROLE OF THE NSP AND NEEP IN NATIONAL RECONSTRUCTION

Figure 3. NSP Institutional Framework

Figure 4. NEEP Institutional Framework
**NSP: Facilitating Partners:** Facilitating Partners (consisting both Afghan and International NGOs and UN-Habitat) assist in the delivery of NSP to communities to strengthen community capacities to identify, plan and manage development activities. In each province one or more facilitating partners deploy community facilitators and technical specialists to support agreed target communities (in one or more districts / provinces depending on capacity). Facilitating partners are expected to recruit and deploy female field staff to enable the inclusion of women in prioritization, decision making and implementation processes. The output of facilitating partners is measured by the number of eligible project proposals developed and the number of projects completed in accordance with design standards and in a sustainable manner. However, facilitating partners are encouraged to be flexible with regard to the choice of specific facilitation methods used to assist communities to meet the eligibility criteria of the NSP.

**NSP: Community Development Councils (CDC):** Village communities are identified on the basis of existing local settlement and social patterns. To be eligible for support through the NSP communities are required to elect a CDC as a representative community based decision making body responsible for overseeing the preparation of the Community Development Plan (CDP) and the preparation and implementation of individual sub-projects. The CDC obtains the endorsement through community meetings for decisions on development priorities, the final selection of project proposals, the size and composition of community contributions, the use of project funds, transparency arrangements and arrangements for the operation and maintenance of completed projects.

Strengthening local governance requires building capacity beyond elected CDCs so as to establish meaningful institutional linkages with the sub-national government administration. Given the distinct focus of the NSP and NEEP on the village level and sub-national government administration respectively, an important opportunity exists for promoting institutional synergy between the two programs. The emphasis of NEEP is on the establishment of a framework for the effective management and decentralisation of development activities such as sub-provincial planning, contracting, targeting for social protection, supervisory and monitoring / evaluation activities.

The NSP faces a number of competing demands. On the one hand, its long-term goal is to strengthen local governance, transparency, accountability and peoples’ participation in development processes. On the other hand, in order to establish its credibility, it must quickly finance approved CDC plans that provide tangible benefits to communities. Without gaining credibility in the short-term, the NSP is unlikely to achieve its long-term goal of improving local governance. Therefore the strategy for linking CDCs and sub-national administration is based on a phased approach that recognizes that NSP has some short-term goals. Linkages with sub-national government should not act as bottlenecks to the quick and efficient approval and financing of CDC
plans. (The break down of responsibilities for the NSP is provided in Figure 5 below). In addition to NEEP, other programs, such as the National Area Based Development Program (NABDP) and Afghanistan’s Stabilisation Program (ASP), have been developed to strengthen sub-national administration and to improve service delivery in some key sectors such as health and education

**Figure 5. NSP: Breakdown of Responsibilities**

<table>
<thead>
<tr>
<th>Responsibilities of Oversight Consultant</th>
<th>Responsibilities of Facilitating Partners</th>
<th>Responsibilities of Community Development Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal of community project proposals</td>
<td>Facilitate elections of inclusive CDCs</td>
<td>Overseeing preparation of the Community Development Plan</td>
</tr>
<tr>
<td>Management of NSP block grants for community projects (including effecting fund transfers, tranche payments, financial management, accounting and reporting)</td>
<td>Facilitate community project planning comprising CDPs and sub-project proposals</td>
<td>Convening community wide meetings</td>
</tr>
<tr>
<td>Supervision of Facilitating Partners performance</td>
<td>Provision of technical assistance to develop sub-project proposals, either directly or through facilitation of access to market based assistance (preferred approach)</td>
<td>Overseeing planning and preparation of individual sub-projects</td>
</tr>
<tr>
<td>Planning and conducting training for staff of MRRD and FPs together with regular experience sharing workshops</td>
<td>Provision of technical assistance to communities during implementation</td>
<td>Mobilising community contributions and ensuring community participation during all phases</td>
</tr>
<tr>
<td>Undertaking technical and financial monitoring and producing consolidated reports</td>
<td>Provision of training to communities (e.g. book-keeping, procurement, contracting)</td>
<td>Presenting the sub-project plans at appraisal</td>
</tr>
<tr>
<td>Management of information and communication campaign</td>
<td>Conducting monitoring and reporting</td>
<td>Managing and supervising sub-project implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Overseeing or directly handling procurement and financial management at the community level</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reporting to the community and to NSP on project progress and use of funds</td>
</tr>
</tbody>
</table>

The strategy to be used by NSP will be implemented in two phases: short term (one to two years) and longer term and the modalities of implementation will be adapted based on lessons learned. The three strategic components are: (i) encouraging CDCs to create a demand for better services from sub-national government (district and/or provincial); (ii) encouraging CDCs to use their allocation of direct block grants (particularly the 2nd and 3rd year allocations) to leverage additional resources from provincial and district levels through the budgetary process; and, (iii) encouraging CDCs to monitor the quality and timeliness of service delivery provided by sub-national government (see Annex 3)

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20 The National Area Based Development Program (NABDP) managed by MRRD with UNDP support is designed to complement NSP by addressing linkages between communities and government authorities through developing the capacity of sub-national authorities, to establish and maintain provincial and district consultation mechanisms to ensure that all stakeholders’ views are reflected in development planning and management. For the first time, a planning exercise has been conducted in all provinces identifying priority projects above the village level in each district.
**NEEP:** For NEEP, a Joint Program Management Unit (JPMU) has been established to perform the oversight functions and provides a mechanism for the coordinated provision of technical assistance to the Government in the areas of social protection, community mobilization, engineering, contracting and financial management. The JPMU has prepared guidelines and procedures for programming and resource allocation; planning; tendering and contracting; social targeting and reporting. A pilot MIS has been designed and is being tested. Technical assistance to the JPMU is provided by international agencies (UNOPS and ILO). A breakdown of institutional responsibilities for NEEP is provided in Figure 6 below.

**Figure 6. NEEP: Breakdown of Responsibilities**

<table>
<thead>
<tr>
<th>National Inter-Ministerial Board</th>
<th>Joint Program Management Unit</th>
<th>Technical Support Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directs policy and strategy</td>
<td>Establishes and maintains effective coordination systems</td>
<td>Project identification, prioritisation and selection</td>
</tr>
<tr>
<td>Resource allocation and programming</td>
<td>Manages the programming / resource allocation mechanisms</td>
<td>Preparation of initial cost-estimates for identified projects</td>
</tr>
<tr>
<td>Approves projects against agreed criteria in line with national development priorities</td>
<td>Develops methods, standards and tools for programming, planning, implementation and monitoring and evaluation</td>
<td>Detailed design and cost estimates for selected projects</td>
</tr>
<tr>
<td>Establishes appropriate financial modalities</td>
<td>Supports capacity building within the Government to manage NEEP</td>
<td>Approval of projects by relevant line ministries of projects up to a certain financial ceiling</td>
</tr>
<tr>
<td>Approves the oversight mechanism for effective resource management</td>
<td>Supervision of the JPMU</td>
<td>Tendering of works through competitive bidding and awarding contracts to selected contractors</td>
</tr>
<tr>
<td>Supervision of the JPMU</td>
<td>Monthly reporting to JPMU on the physical and financial progress of the projects</td>
<td>Implementation and supervision of projects</td>
</tr>
</tbody>
</table>

**Preliminary Results and Comparison with Initial Objectives**

Stakeholder expectations were high with regard to targets for scaling up within the first year of the pilot initiatives and certain delays, often relating to the establishment of procedures for rapid disbursement, the decision making roles of various players (Government, World Bank, oversight consultant) and contracting activities have been encountered. In particular, given the high level of nationwide demand for engineering capacity, constraints have emerged at various levels: (i) on the local market communities are not easily able to recruit engineers to assist with the preparation of sub-project proposals; (ii) within facilitating partners, constraints have been encountered in terms of ability to assist communities to develop sub-project proposals; and, (iii) the oversight consultant’s capacity to appraise and approve sub-project proposals has been constrained.
Nevertheless, initial progress with both NSP and NEEP is highly encouraging, particularly when consideration is given to the highly challenging context and the \textit{a priori} requirement to establish through consensus, efficient and effective systems and coordination mechanisms for multiple stakeholders. Although started in 2002, the NSP Manual of Operations, has only just been finalized as a result of the responsiveness of the program’s framework to stakeholders’ perspectives and preliminary feedback. The original target for the NSP was to cover some 800 village communities within the first year of implementation. However, since the program’s official launch in April / August 2003 this target has been revised to over 5000 village communities across 3 districts in each of Afghanistan’s 32 provinces (i.e. 96 of a total 350 districts).

The recruitment and deployment of the oversight consultant in September 2003 represented a significant step for accelerated implementation of the NSP. Oversight consultant offices have now been established in Kabul and the establishment of office in each of the thirty two provinces nationwide is underway, supported by sub-regional centres with mobile support teams to perform a largely capacity building function. Twenty two facilitating partners have been competitively selected and contracted to assist communities at the sub-provincial level. Despite ongoing security risks and the concerns of many partners, every province in the country now has a facilitating partner assigned to support the three selected pilot districts. Ensuring timely reporting from facilitating partners will prove critical in coming months to the launch of the NSP MIS.

Afghanistan’s first CDCs were elected from August 2003 onwards and the first block grant disbursements began in December 2003. Since then 3,843 village communities have been identified for implementation, 3,266 village communities have initiated activities and 2,283 CDCs have been elected and registered. By March 2004, and as a result of improved access to many areas after the winter season, it is anticipated that up to 2000 village project proposals will have been approved and first installments disbursed\textsuperscript{21}. This is in line with the target for the first year of implementation to reach more than 4,100 village communities across the country. During year two operations will expand to cover all remaining villages in the initial districts and/or villages in new districts. Village communities that are able to successfully implement projects during the first year will receive a new but smaller block grant during their second year, with the same formula applied in successive years. Recognizing these achievements and that the community demand for the NSP is high, it is expected that the IDA supported project (IDA Grant US$95 million) with an expected completion date of September 30, 2006, may in fact be able to disburse all funds within the first year. (See Annex 4: NSP project performance indicators).

\textsuperscript{21} By the end of January 2004, some 477 sub-project proposals had been submitted of which 196 had been approved with disbursements released.
For NEEP, in the first year of implementation the Government has been able to mobilize US$126 million (more than twice the original amount requested through the National Development Budget) and to keep its promise of a countrywide launch. During 2003/4 (1382) approximately 10 million labour days have been generated, with 3,500 km roads constructed and rehabilitated, 4,000 bridges and culverts, over 100 irrigation schemes, 150 schools and clinics, 400 water supply systems and 5,000 shelters completed. This will employ almost 400,000 people with direct benefits for over a million family members. Within the context of US$25 million ARTF funding and the IDA funded NEEPRA project, required to fast track procurement, 626 level 1 sub-projects and 73 level 2 sub-projects (costing US$13.97million and US$24.31 million respectively) were underway as of January 2003.

In addition to immediate physical infrastructure assets, steps have been taken to develop and introduce a labour based strategy for rural infrastructure, grounded in the recognition that government may not have the financial and institutional capacity to manage the maintenance of newly created assets and that this must have implications for the selection of technologies and standards that entail a manageable maintenance burden. Increased emphasis is being placed on significance of the establishment of MIS and monitoring and evaluation systems for both programs to provide timely and regular reports on the overall program status.

Effective scaling up will require the finalisation of an effective institutional reporting system in coming months to strengthen management and planning activities. The recruitment of dedicated and high quality technical assistance in all provinces through oversight mechanisms to support government counterparts remains a challenge given the shortage of skills in the domestic market.

**Modifications to and Evolution of Original Plans**

The original vision for both NSP and NEEP has not fundamentally changed in the two years since programs were first conceptualized and objectives agreed. However, as a result of ongoing assessment of the evolution of the pilot initiatives and regular consultation between stakeholders, in a number of areas the challenges of scaling up have resulted in context specific adaptation. Within each program a number of crucial modifications have been undertaken as part of the ongoing process of feedback and refinement of systems and efforts to continually draw on a diverse range of national and international experience to inform decision making.

*Heightened National Significance of CDC Election Process:* One of the most significant changes to the original plan for NSP was the decision by Government to introduce standardised and formal procedures for the election of CDC members based on
a secret ballot. Clear directives for the electoral process were introduced into the NSP operational manual in early 2003 to address concerns regarding the capacities of facilitating partners to manage complex political and gender dynamics at the community level. Development councils elected through a process not complying with the established rules will not be eligible for funding under the NSP (Annex 5). This move has proved fundamental in demonstrating that Government commitment to the NSP rests on recognition that block grants and small scale infrastructure can only be effective in so far as local governance systems are strengthened and empowering for the marginalized rural poor.

**Implementation in High Risk Areas:** To date, and in part as a result of the sensitivity of stakeholders to security issues and precautionary measures, all of the 32 national provinces are currently integrated into the NSP and receiving the combined support of government, oversight consultant and facilitating partners. However, the extent to which the NSP will continue to assist communities throughout the country remains critically dependent on the security situation. Security remains problematic throughout large parts of the country due to the limited extent of government authority. Since the summer of 2003, attacks by Taliban have increased in the South and East, and aid agencies have been explicitly targeted as allies of the transitional government. It is accepted by all stakeholders that a deteriorating security situation could result in the suspension of operations by Facilitating Partners in parts (or in a worst case scenario, most) of the South and East.

In the event of deteriorating circumstances, a number of scenarios can be envisaged with existing facilitating partners unable to reach all villages, problems faced in retaining facilitating partners in certain areas and, in some cases security risks entailing the indefinite suspension of all regular program activities. The various measures introduced for operating in high risk areas of the country, while limited, include: (i) Facilitating Partners generally use facilitators recruited from the district, at less risk than external staff (monitoring of these staff remains a concern), (ii) Government directly recruits managerial staff and facilitators who receive two months practical on the job training from a Facilitating Partner and are then deployed in teams for a particular district; and, (iii) Government to consider an alternative approach to provide resources for reconstruction / development activities (financed as separate interventions).

**Technical Support:** Constraints in the number of engineers available to design and supervise labour based works (for NEEP) and to facilitate, appraise, and in some cases implement community proposals (for NSP) have necessitated the introduction of a number of measures. These include the pooling of engineering capacity at the national level to promote more efficient management of limited resources, the introduction of mechanisms for direct and competitive contracting by the government to attract qualified
engineers (Afghan and regional) into the domestic market, and the introduction of standardised design templates to simplify project preparation.

**Sub-Project Menu and Issues of Sustainability:** The NSP uses an open menu of sub-projects within four types of investments, subject to a short negative list. In order to ensure that the quality of sub-projects is not compromised by accelerated scale up, consultation between the Government and facilitating partners has been undertaken to clarify eligibility restrictions on the basis of the initial articulation of community priorities. The four types of investment are (i) community infrastructure; (ii) time bound human capital (capacity building) development activities; (iii) grants for income generating activities for women (capped at US$7,000); and, (iv) asset transfers for vulnerable women and disabled. In the case of investments in infrastructure involving recurrent costs to be born by the state (such as schools and clinics) a condition for approval will be the endorsement by the respective line ministries that the proposed investment fits within overall national plans and that the concerned ministry will be able to take responsibility for operating costs on a sustainable basis. However, in keeping with the empowerment objectives of the NSP, and through new channels for consultation between communities and local government it could be anticipated that emerging community priorities will also have an impact on improved responsiveness of national and sub-national planning processes.

**Eligibility Status of Micro-Finance Proposals:** Originally it was anticipated by NSP that where communities prioritized investment for income generation, this could include self-help savings and credit schemes. However, an assessment was undertaken of lessons from micro-finance operations in Afghanistan and the resulting analysis indicated that it would be preferable for NSP to work through existing micro-finance providers to avoid the creation of new, non-specialist and unsustainable institutions. The Government has since taken the decision to ensure that where the demand for micro-finance services is established, emphasis should be on efforts to ensure collaboration with pre-existing and expanding MFIs to the extent that outreach has been established within the locality. The key rationale for not permitting the use of block grants for income generation based on revolving community managed funds at this stage is that (i) experiences regarding this are mixed, and activities tend to lend themselves to elite capture more than is the case with public infrastructure; (ii) in order to be successful and sustainable, income generation would require enhanced facilitation by facilitating partners (who in turn would require extensive training to equip them for this task); and, (iii) high intensity facilitation would need to beyond guaranteed investment. Both (ii) and (iii) would have significant implications for program delivery costs.

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22 Assessment of Microfinance, Livelihood Projects and Income Generating Schemes as an option for Community Sub-Projects. (World Bank 2003)
A separate but complementary national program - the Micro-Finance Support Facility of Afghanistan (MISFA) - supporting a sector wide approach to micro-finance services was launched in 2003 and will soon be registered as an independent and autonomous Apex institution to expand the loan portfolio and build the capacity of micro-finance institutions throughout Afghanistan. Given their high degree of existing indebtedness, the establishment and strengthening of self-help groups among the rural poor will promote regular savings to increase both resources and capacities necessary to secure sustainable access to financial products on a meaningful scale.

**Determining Block Grant Allocations:** Given the rather uncertain fiscal plan, discussion regarding the value and targeting of block grants to households and communities involved both Government and donor stakeholders. Finally, and after extensive modeling exercises, it was agreed at the end of 2003 to operate an open entitlement per family subject to lower and high caps for villages below or above a defined size threshold. One block grant is therefore allocated to each community (at a rate of US$200 per family with an upper limit of US$60,000 per community), to be used for one or more sub-projects and supplemented by the community’s own contribution (10 percent). Annual follow-up block grants will be allocated at a lower per-capita rate to be determined.

**Strengthening the National Framework for NEEP:** The initial emergency status Labour Intensive Public Works (LIPW) pilot tested two modalities for implementation. The first made use of an oversight consultant (CARE) to support the government at central level (MRRD) to manage the competitive contracting of implementation partners (exclusively NGOs) to implement multi-sector community based rural infrastructure. The second involved the use of another oversight consultant (UNOPS) to support government institutions at both central and provincial levels (Ministry of Public Works) to implement district / provincial level secondary road infrastructure by contracting private contractors.

The first modality was able to implement more rapidly than the second with completion by mid 2003, the inclusion of provincial and district authorities in the prioritisation of sub-projects in the second modality initially delayed implementation. Nevertheless, a strong preference of both Government and World Bank was expressed to develop the second modality as the most appropriate for scaling up, despite the slow start, for two main reasons: (i) to encourage a rising number of quasi-NGOs to register as private sector construction companies and to strengthen Government capacity to manage contracts within the context of public administration reform; and (ii) in acknowledgement of the finite absorption capacity of technically competent NGOs in Afghanistan and on the basis of their comparative advantage it was widely accepted that they should be harnessed exclusively as facilitating partners in support of NSP community led development activities.
Initially the JPMU was established as an inter-ministerial coordination mechanism for the management of investments within the framework of NEEP. Whereas the original rationale for NEEP has been as an emergency intervention to provide immediate targeted social protection for vulnerable groups, in seeking from the outside to scale up program capacities throughout Afghanistan, this focus is shifting. With the increasing scale of investment in rural infrastructure the evolving emphasis is on the effective integration of social policy objectives within the strategic, institutional and fiduciary frameworks for the development and maintenance of rural infrastructure in the long run rather than on the development of NEEP as a stand-alone program. Comprehensive government policies are therefore required to strengthen and regulate partnership with the private sector, develop the rural transportation sector and establish effective labour legislation. However, at present, the rapid expansion of NEEP portfolio has led to increasing pressure on the JPMU’s oversight responsibilities and the requirement for additional technical support is now being recognised.

**National Systems for Area Targeting:** While NSP has been conceived from the outset in terms of nationwide coverage, the preliminary selection of NSP pilot districts was undertaken on the basis of the Vulnerability Assessment Map and refugee return data. Heightened awareness of the extent to which robust vulnerability indicators are not sufficiently integrated into national resource allocation and programming decisions more broadly led to the launch of Afghanistan’s first countrywide National Risk and Vulnerability Assessment (NRVA) 2003. Within NEEP, strategies and mechanisms for resource allocation and local level participatory planning need to be strengthened and made more transparent to enhance credibility and poverty impact. The annual implementation of the NRVA will be crucial in this respect. However, without the establishment of an effective MIS and institutional mechanisms to ensure compliance to agreed programming directives, improved area targeting of NEEP projects is unlikely to take place.

**Rationalizing the Utilization of Cash and Food Resources:** In the absence of a functioning public administration and with frequent droughts and protracted political instability spanning several decades, food aid interventions in Afghanistan have undoubtedly played a crucial role in saving lives, protecting welfare and preserving capital assets. In recent years, however, with the re-emergence of a state presence, good rains and improved security, the need for humanitarian food aid has begun to diminish. At the same time, it is widely acknowledged that poverty, hunger and vulnerability cannot be eradicated in the short term, even under the most optimistic growth scenarios. But it is anticipated that the strategic utilization of food assistance will change.

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23 The Vulnerability Assessment Map (VAM) is compiled by World Food Program as an instrument to access and map food insecurity for food aid programming.
The simultaneous coordination of both cash and food resources as labour payments in rural infrastructure projects has so far presented a challenge to NEEP. An independent evaluation of existing food aid programs planned for mid 2004 is expected to facilitate the development of a national food aid strategy which may explicitly seek to significantly reduce existing levels of food aid imports for widespread distribution through food for work interventions. At present no grain market based targeting mechanism has been introduced to rationalize the selection of areas for payment in kind (most often imported wheat) as opposed to payment in cash. One proposal currently being considered involves the use of food for work payments for social targeting objectives. This could involve the preparation of construction materials (such as stone dressing) by targeted vulnerable groups such as poor women and disabled people without having to travel far from their village locality. Another proposal is that food resources should not be used for any kind of workfare but rather for gratuitous distribution to vulnerable non-able bodied people.

**Wage Payment Policy:** Advocates of setting wage rates for unskilled labour in public works programs at or just below the prevailing local market for casual labour argue that this can be a key instrument for targeting the poorest groups – therefore minimizing errors or inclusion and exclusion. This does not exclude the need for area targeting within which sub-projects will be targeted. However, below market wage rates may affect the nutritional status of workers if the wage is below the ‘natural-minimum-wage’ whereby the net financial gain is less than the costs (food, travel etc.) of participation. In addition, where below market wages are paid the sub-projects are often perceived by workers as relief works – undermining the sustainability of asset management and maintenance. Therefore at present a policy decision has been made to promote the setting of wages on a flexible basis according to the specific context and to prioritize labour market assessment within the JMPU in support of policy guidelines to optimise targeting efficiencies.

**Lasting Assets for Poverty Reduction:** The quality of works and maintenance strategies in use need to be improved to increase the sustainability of the assets produced.

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24 WFP estimated that in the year 2003/04 about US$162.5 million (including 310,000 MT food) would be required to implement food based relief and recovery programs in Afghanistan.

25 The task is to locate the comparative advantage of food aid in the context of various transfer options and mechanisms and against specific sectoral objectives in health, education and social protection, setting the benefits of food aid against costs. As a step in this direction, a rigorous mid-term evaluation of existing food aid programs is planned for 2004 to ensure a strong analytical basis for future decision making.

26 NEEP Policy Note: Setting Wage Rates (JPMU 2003)
Cross drainage structures (such as bridges, culverts and causeways) are a key to sustainability of access improvements but repair of these structures is often not incorporated in the sub-projects due to their higher costs and lesser labour intensity. The repaired roads need to be handed over to an accountable local administration and their maintenance included in future budgets thereby providing opportunities for second round employment benefits. Overtime, and as capacity develops, such repair and maintenance works must become part of a maintenance program funded from sustained revenue streams such as user charges collected in a road fund. Under an evolving national transport policy framework the Government has shown interest in designing and building such long term institutional arrangements but it would be unrealistic to expect them to be in place at the current stage of Afghanistan’s reconstruction.

While prioritising roads initially, it is increasingly expected that other sectors will be targeted. Rural road works allow for relatively fast implementation and employ more unskilled labour than most other public works (70 percent labor – 30 percent capital) – in contrast to say building construction, which would require extensive inputs from artisans and skilled labour. Including other sectors such as large scale irrigation programs requires more substantial preparation to design effective projects and implementation arrangements as well as addressing the institutional, social and environmental issues specific to these sectors. A critical issue for public works is that public, not private, assets are created, although further assessment of the maintenance and cost recovery systems may involve a review of existing policies in this regard.

**Initial Impact**

**Resource Efficiency**

In the context of such a disrupted environment and with interventions covering a range of sectoral investments, the feasibility of calculating economic and financial benefits is problematic. In the pilot phase of both programs, it is somewhat premature to draw conclusions regarding resource efficiency. It is however important to highlight a number of different areas where efficiency issues will need to be addressed, so as to influence future program design. Measuring efficiency relates to the rate (time) and cost of capital formation (be it physical, social, or financial etc.). It is expected that both NSP and NEEP will collect detailed monitoring data to enable an evaluation to make realistic assessments of the expected returns on specific sub-project investments.

**NSP:** Cost data reported by NGOs working in Afghanistan suggests that the small scale village investments proposed under the NSP will have a positive return. Beneficiaries of the NSP are expected to be the country’s poor and near-poor. Experience
with social funds in other countries suggests that approximately 60–70 percent of program funds return to local labor, and virtually all of the benefits from the physical works accrue to primary producers.

Given the high profile of the NSP, its significance within the NDB, and the need to justify the contracting of facilitating partners using scarce resources, the executing ministry, MRRD, is acutely aware of the significance of cost efficiencies to secure both broader government support and enhance the potential for fiscal sustainability. Total costs can be broken down into three categories: block grants, community support services (delivered by facilitating partners) and all overheads (which includes capacity building undertaken by the oversight consultant). Out of this, on average over the next four years, 85 percent of all costs are block grants, 10.5 percent community support services and less than 5 percent of total funds go towards additional overhead and capacity building costs. It is increasingly acknowledged by stakeholders that delivery costs are an intrinsic to the objective of promoting sustainable and progressive institutions for community governance and that long term pro-poor returns from such investments in the early years can be expected. It is therefore useful to distinguish between ‘overhead’ costs and the costs of service delivery for community empowerment in order to address the implicit trade off between cost reduction and maximising benefits. Permitting a larger proportion of the budget for delivery costs could mitigate risks of capture and ensure quality of the program.

**Figure 7. NSP – Breakdown of Costs**

![Figure 7. NSP – Breakdown of Costs](image)

**NEEP:** Since 2002, various labour-intensive cash for work and food for work infrastructure projects have been funded and implemented by multiple international development agencies. According to the World Bank the ‘projected delivery cost to the
government of NEEP is around US$ 1,500-2,500 per labour year of employment provided which compares favourably with similar programs in other post conflict countries’. However, while a significant share of these interventions have focused mainly on the achievement of their social protection objectives by generating much needed employment, their effectiveness in creating lasting infrastructure assets may have has been less successful. In some cases the assets created have been of uneven quality and contracting and financing mechanisms inefficient. A significant share of the road works executed in the pilot stage consists of spot improvements such as pothole filling, drain repairs, surface levelling etc. While such interventions are highly labour intensive, low cost and effective in enabling motor-able access, the repairs may last only 6-12 months. The government recognises that it is essential to improve the construction standards of ongoing labour intensive rural infrastructure investments if poor implementation is to be prevented from discrediting the merits of a labour intensive approach and its potential significance for the integration of social policy objectives. Improved documentation of costs will be important to sustain the case for maximising employment opportunities in the long run.

**Effectiveness**

In post Taliban Afghanistan, the NSP and NEEP were the first priority program investment initiatives presented to the international community for financing. Given the exceptional circumstances prevailing and the political urgency of scaling up in the current political context of Afghanistan, the pilot phases for both NSP and NEEP have been compressed (to little over a year in both cases), to ensure minimal delay in securing nationwide coverage. Despite such a challenging and potentially risky environment, there is increasing consensus that the initial start up phase has already secured a number of achievements. As the pressure to scale up mounts, both programs are increasingly triggering the installation of essential delivery systems for scaling up and the initiation of unprecedented institutional and policy reforms as signalled by emerging requirements. The areas of most significant impact at this stage are (i) improved governance at the community level (ii) reform and restructuring of the public administration; (iii) private sector development; and, (iv) the establishment of systems for accelerated implementation. These are discussed in more detail below:

**Improved Governance at the Community Level:** Considerable concerns have been expressed from various stakeholders during the program design phase regarding the general acceptability of a standardised procedure for the establishment of CDC by communities throughout the country and, specifically, the extent to which gender issues would be effectively addressed in the process. Initial experience has confirmed that not only are communities willing to adopt the procedure, but that to date this move has
generally been greeted with great enthusiasm in villages as an empowering and meaningful experience\textsuperscript{27}. In particular, the initial introduction of electoral procedures based on an innovative cluster methodology is already being reported as highly promising in the advancement of social inclusion and empowerment objectives, central to the NSP (See Annex 6).

Opportunities for cross fertilisation, analysis and learning are being harnessed. An initiative is underway to examine the processes of election for and participation in the NSP CDCs, in the wider perspective of learning lessons for the national elections scheduled to take place in 2004 and to draw on local perspectives with a particular highlight on women’s participation and gender relations\textsuperscript{28}. The experience gained from the study is expected to provide useful lessons in the context of preparations and planning for the national elections with regard to promoting local-level participation in elections and voting, particularly with regard to women’s participation, thereby translating the findings of the study into practice. The CDC-elections will be the first experience of local community-participation in voting, and to the majority of rural Afghan women of participation in decision-making on a par with men with regard to matters that affect their own lives.

**Reform and Restructuring of Public Administration:** NSP and NEEP were originally formulated as emergency projects, but increasingly, government and international partners recognise and accept that the delivery and capacity building imperatives are not mutually exclusive when seen in the context of scaling up and sustainability objectives. There is consensus that social fund models involving the establishment of autonomous and permanent non-government institutions were inappropriate for the current Afghan context. Both programs have been effectively harnessed as catalyst initiatives for priority reforms and restructuring efforts within the institutions of public administration at both national and sub-national levels. For example, within MRRD, a new departmental structure, based on the principles of community driven development has been introduced which seeks to enhance the enabling role of the public administration in the promotion of rural development.

There is agreement that the problems of insecurity and disaffection of the population stem in large measure from the lack of credible Afghan administrative and security institutions, particularly at the provincial and district level allowing for continuing insecurity and disaffectation of the population. Within the civil service this strategy has ensured a high profile, practical and convincing demonstration of the reform rationale and the resulting benefits.

\textsuperscript{27} Feedback from World Bank monitoring mission teams (February 2004)
\textsuperscript{28} Terms of Reference: Learning from NSP Elections: Participation and Process (AREU 2004)
The institutional frameworks developed to support both NSP and NEEP are grounded in the principles of establishing an overall execution function for government institutions rather than continuing the tradition of government as directly responsible for service delivery. The internal reorganisation of departments to re-direct and manage the expectations of engineering and equipment maintenance teams has been a tremendous challenge. Initially, the NSP presented a potential threat to many within the government in terms of perceptions that provincial administrations and line ministry representatives were being by-passed by the newly introduced block grant transfer system. For this reason the decision to install NSP within the institutional reform processes of the public administration have been key to secure full support. Also of importance is the extent to which the block grant approach to communities, pioneered here, will be matched by a provincial block grant to public administrations under the proposed provincial stabilisation program.

The parallel establishment of NEEP as a safety net / rural infrastructure program in which the planning, contracting and supervisory roles of provincial staff are key has served to provide an important balance in this regard. The government increasingly recognizes that the conceptual framework for NEEP will need to evolve from an immediate focus on the emergency generation of employment to the promotion of employment opportunities through an effective and integrated approach to social policy. This will be achieved in the context of productive investments in rural infrastructure at the sub-national level, implemented by the private sector through a labour based approach to construction and maintenance and supported by an effective protective regulatory policy framework. In line with this vision, reforms of administrative and financial functions within line ministries have been initiated (including procurement and finance), appointment of financial and procurement advisers, an ongoing review and modification of financial management and audit arrangements as well as disbursement systems, and training of staff at national and provincial levels in financial management and procurement.

The collective experiences of NSP and NEEP have served to heighten awareness of the requirement for urgent changes in the way provinces and districts are governed across the country, focusing on the provision of basic security and good governance as preconditions to accelerating reconstruction activities. Rebuilding the state is a long term proposition and there is increased recognition that a number of decisive actions and systematic changes must be undertaken by the central Government to reinforce its legitimacy and authority, and to ensure the trust and participation of the population. Complementary national initiatives for the acceleration of reconstruction activities across provinces and districts in Afghanistan must be effectively coordinated and sequenced. Across the public sector, reform of Ministries under the Priority Restructuring and
Reform framework\(^{29}\) is moving ahead, leading to better trained, better paid and more highly motivated pockets of high performance in the administration. Emerging mechanisms for coordination at the political, policy making level and at the operational program management level seek to ensure maximum synergies between key stakeholders and implementing agencies, to establish operations at district and provincial levels, to accelerate local government capacity building, and provide the critical link between the national government and the provinces by supervising and monitoring development activities\(^{30}\).

**Private Sector Development:** Reconstruction efforts and the scaling up of poverty reduction initiatives in Afghanistan will fail in the absence of a vibrant private sector capable of transforming the peace dividends into employment for its citizens and sustainable long term economic growth. Two years after the fall of the Taliban, Afghanistan’s formal private sector is still weak, being ill-equipped to compete in the international market place. From within the government, the view of the vast majority of civil servants is not conducive to understanding the private sector’s potential in a free market economy. Fortunately, Afghanistan has a long entrepreneurial tradition of SME industries and services on which an active market oriented private sector can be built.

In seeking to harness this tradition, both NSP and NEEP ultimately depend on the reconstruction of the private sector as a critical precondition for their timely, effective and sustainable implementation. Reconstruction efforts are hampered by the acute shortage of skilled construction workers, problems with the availability, quality and cost of construction materials, most of which are imported from neighbouring countries, and the lack of engineering capacity with a limited domestic pool of skilled engineers, coupled with high demand levels and competing programs resulting in high salary costs. Therefore while NSP and NEEP are playing an instrumental role in the promotion of the private sector (encouraging private contractors to register as such rather than as NGOs to whom many construction contracts are continue to be awarded, and in promoting sustainable markets for the key services associated with design, construction, operation and maintenance of rural infrastructure) at the same time the current time lag between demand and supply threatens to significantly constrain the drive to scale up in the immediate future unless complementary initiatives are also accelerated and scaled up.

\(^{29}\) The PRR framework is under the overall supervision of the Independent Administrative Reform and Civil Service Commission (IARCSC).

\(^{30}\) For example, the anticipated launch of the Afghanistan Stabilisation Initiative to re-establish basic security and good governance at district and province level across Afghanistan, through well-sequenced and coordinated developmental interventions focussing on security, governance and reconstruction, targeted explicitly at provincial and district levels to provide linkages of good governance between citizen/community and state.
The effective promotion of public policy actions necessary to catalyse the emergence of private companies, together with the provision of business development services is a major challenge. In addition the absence of an effective legal framework to allow businesses to start up easily, to function efficiently while they are in operation and to exit the market in a timely and efficient manner will take time to address. The Government is currently in the process of reviewing a number of laws but the problems caused by a weak legal framework are compounded by a host of administrative barriers that affect entry and raise transaction costs, thereby reducing the competitive strength of the private sector, and increasing the scope for discretion and corruption.\textsuperscript{31}

While the banking system in Afghanistan has advanced greatly since 2002, the formal banking system in Afghanistan is not yet sufficiently operational to respond to the requirements of NSP and NEEP. Despite the entry of new commercial banks, it will take time for them to become operational around the country. Much remains to be done before the private sector has access to adequate financial services such as loans, letter of credit facilities and electronic fund transfers. Although the Hawala system is able to provide basic banking services across the country it does not provide a transparent system for financial settlement. Nevertheless, as a stop gap measure until the banking system is fully operational, the NSP is using the Hawala system to transfer money both to the provincial level and to the community.\textsuperscript{32}

**Systems Established for Accelerated Implementation:** In the initial stages of program start up, and given the very high political stakes of slow delivery, delays in establishing both NSP and NEEP were faced. This resulted in the NSP being essentially rethought by the end of 2002, resulting in substantially different institutional arrangements for implementation than those originally envisaged. Managing the understandably high expectations of government and communities within the context of a very complicated political and administrative situation has not always been easy. However, it would be unrealistic to assume that a national program such as NSP could establish within 6 months the complete institutional set up to channel a US$600 million program across 20,000 villages, in a very unstable security and delivery context. Many of the reasons for delay have been overcome and lessons learned will be important for moving forward rapidly with this program.

NGOs and humanitarian aid agencies have undoubtedly played an essential role in Afghanistan. However, the evolution of both the NSP and NEEP have involved an

\textsuperscript{31} Many transactions such as obtaining trade and investment licenses, or clearing exports and imports are subject to procedures that are ill-defined and not applied uniformly.

\textsuperscript{32} To be acceptable, a money exchange dealer (Hawala) that is selected to effect the transfer of funds into and around Afghanistan must be financially sound, meet various pre-established criteria and observe basic procedural guidelines.
extensive - and time consuming - review and revision - of institutional relations and functions based on an assessment of the comparative advantage of various actors – government, private sector and NGOs vis a vis sustainable and nationally owned strategies for growth promotion and poverty reduction. The experience and technical strengths of many NGOs in facilitating community development have been effectively harnessed by the NSP in such a way that promotes accountability and the sustainability of high quality service delivery. Management incentives have been promoted by performance based contracts with oversight consultants and facilitating partners, renewable on an annual basis with agencies held accountable for performance against outputs\(^3\).

Implementation delays have been related to a range of factors including security incidents and risk dynamics, problems of all year or seasonal accessibility in highland or remote areas and variations in capacities of facilitating partners. Mechanisms for intensive and regular consultation between government representatives and facilitating partners, mediated by the oversight consultant have resulted in the establishment and continual refinement of management arrangements for collective problem solving and the fine tuning of systems and procedures on the go.

The politically driven imperative for NSP is to ensure timely delivery of block grants to meet with the high expectations of communities (amplified by a high profile nationwide public communication strategy about the new choices available) and in the context of forthcoming presidential and parliamentary elections. However, this imperative has also to be balanced by consideration for both the quality of the empowerment and decision making processes taking place at the village level and the technical standard of project plans. An example of one measure to be introduced in the second year once facilitating partners have established experience, will be the introduction of procedures by the oversight consultant to appraise only a sample of sub-project proposals. In this way, the sustained performance of facilitating partners will effectively secure a credit rating to enhance efficiencies and reduce delays. Another measure to be introduced in the near future as a result of the restricted and highly competitive national market for qualified engineers, will involve the design and introduction of measures enabling facilitating partners to recruit essential technical staff at significantly higher rates than originally anticipated and to provide a technical manual with standard infrastructure designs to reduce the requirement for engineering inputs.

\(^3\) It has been observed that many of the NGOs selected as facilitating partners are relief based, and will find it difficult to shift towards overseeing higher quality implementation – building core capacities in facilitation skills may take time.
Outcomes

As ‘live case studies’ it is too early to draw conclusions on poverty reduction and empowerment outcomes arising from NSP and NEEP. However, it is clear that given the multi-sector and nationwide coverage of the two programs, the outcomes of both are expected to be highly significant for the achievement of national poverty targets outlined in Annex 7. At the same time it is accepted by certain stakeholders that the immediate and most tangible outcomes of the two programs – the transfer of cash to villages and households and the delivery of small and medium scale infrastructure – might be most usefully understood as instrumental to the broader and longer term governance outcomes which underpin the rationale and approach for NSP and NEEP. In assessing outcomes, the challenge will be to go beyond immediate satisfaction with financed sub-projects and the generation of labour days to analysis of whether the greatest constraints to poverty reduction and disempowerment have really been addressed and that optimum net benefits to communities have been ensured.

Social mobilization can have numerous effects on decision making, democratization, political reform and development processes at large. With its empowerment focus, NSP seeks to expand the assets and capabilities of poor people to participate in, negotiate with and hold accountable the institutions that affect their lives. This involves giving people access to voices and information, greater social inclusion and participation and organizational strength. In support of these broad objectives, NEEP seeks to reinforce existing community instruments for social risk management, through the provision of immediate opportunities for income generation to vulnerable groups, putting cash in the pockets of the poor, while enhancing rural access to productive assets of rural infrastructure essential to kick start a dynamic and diversified rural economy.

A robust assessment of poverty outcomes necessitates the establishment of reliable and nationwide baseline data. Under national leadership, and with assistance from the World Bank and other actors, the methodology for the NRVA 2003 built substantially on the experience of vulnerability assessment for food aid programming undertaken by WFP. Basic poverty estimates on income have consistently been shown to be problematic and this could only be exacerbated in the rural economy of Afghanistan where illicit crops play a significant role. Therefore the 2003 assessment included a food-consumption module to provide the data for a consumption-based estimate of poverty.

34 In particular, a key finding of one independent evaluation of social fund projects around the world was that ‘social fund projects have been highly effective in delivering small scale infrastructure but much less so in achieving consistently positive and significant improvements in outcomes and welfare impacts’ (World Bank OED, 2002)
levels alongside the income based estimates. It is anticipated that the future poverty level estimates will be based top on the consumption aggregates.

Other notable developments were the inclusion of women at all levels of data enquiry from community Shura’s, wealth groups, and households through ensuring that as far as possible survey teams were composed of equal numbers of women and men. Furthermore, the assessment in 2003 was expanded to include all rural populations, including short and long-range migratory Kuchi’s. All previous countrywide assessments in Afghanistan have relied solely upon income/production as the basis for estimating ex-ante poverty levels. The annual implementation of the NRVA will also be critical instrument for strengthening credible and transparent targeting mechanisms for area selection, resource allocation and program design as well as establishing a sound baseline for poverty impact monitoring.

It is increasingly apparent that the potential political outcomes arising from the NSP will extend beyond conventional definitions of poverty. For the NSP a mid term evaluation is planned for June 2005 and it is expected that a similar exercise will be undertaken for NEEP next year. Given that both programs are considered to be demand – driven, community representatives can be expected to play an integral role in the monitoring process and will need to be supported in the development of village based monitoring indicators, including gender sensitive indicators. For NSP, a key performance indicator is the percentage of villages with proposals directly targeting women’s needs.

**Driving Factors**

**Commitment And Political Economy For Change**

The challenge of simultaneously designing and launching such ambitious nationwide programs in the context of Afghanistan should not be underestimated. The high level of political commitment from the Transitional Government, and key international partners (such as the World Bank, ILO, UNOPS etc.) has been reinforced by national ownership of the inherent approaches exemplified by NSP and NEEP, rather than simply their finite status as projects. As a result, these initiatives have been harnessed to take on a political significance far exceeding their immediate objectives.

Given the implicit costs of failure, collective stakeholder commitment has provided an essential foundation to launch the process of scaling up. The Government’s revenue base is narrow and from the outset there has been, and continues to be a considerable degree of fiscal uncertainty within which to effectively guarantee resources
for what are essentially demand driven national programs\textsuperscript{35}. Sustaining existing levels of support from international partners will be critical to avoid the undermining of government credibility by resource shortfalls in the future. Immediate ambitions for scaling up have played a key role in effecting the establishment of appropriate resourcing mechanisms. The significance attached to the national development budget as a central instrument of institutional and policy reform has hastened the consolidation of programs and their approval by the cabinet. The National Development Budget has made it possible to present NSP and NEEP, along with other investments, as an immediate and practical alternative to the provision of international assistance in charitable packages. This in turn has facilitated the channelling of financial assistance by international development partners to emerging priorities endorsed at the highest level of government.

Further indications of political commitment have become evident during the critical scaling up process, through the involvement of senior government officials in weekly meetings with Oversight Consultant and World Bank representative, in addition to their attendance and active participation monthly meetings of facilitating partners to closely follow progress with implementation and resolve issues as needed. The governance of the NSP is further strengthened by the steering committee with joint government and donor representation. At the sub-national level, securing the political commitment of resource poor provincial administrations has been crucial both through drawing on the synergies between NSP and NEEP, and the implementation of complementary initiatives to strengthen government institutions in the provinces.

**Institutional Innovation**

In 2002, as a result of more than two decades of conflict, an exodus of trained personnel, low pay and lack of exposure to new approaches, the public administration of Afghanistan was extremely weak\textsuperscript{36}. While the decision was taken early on to ensure meaningful government ownership of the core national programs, the full implications of building national capacities of sustainable institutions continue to unfold. Underlying political commitment of government at the highest levels, is the vision that NSP and NEEP can be harnessed as pioneering models for reform and restructuring of public administration, establishing the Government’s role as facilitator and enabler rather than

\textsuperscript{35} SAF estimates that even by 2015 Afghanistan will only be generating sufficient revenue to cover Governments recurrent budget.

\textsuperscript{36} A recent study on government systems in Afghanistan found that government administration is highly centralized based on the policy of a unitary state, and that this governance model is unlikely to face a serious challenge in the near future\textsuperscript{36}. The study also found that, despite years of conflict and neglect from Kabul, administrative and fiscal mechanisms have continued in use throughout the country, although payment of staff salaries is erratic and often partial, and no allocations for operating budgets are as yet made at the district (woluswali) level.
fixed in direct implementation. However, the requirement to reconcile the imperative to
strengthen central institutions of state with the almost total collapse of public institutions
and the political urgency to deliver real change to all Afghans, presented a tremendous
design challenge. Rather than establish an autonomous institutional framework, from the
outset government commitment to NSP and NEEP has emerged from a vision of these
initiatives as vehicles for driving institutional reconstruction and reform. Firstly it was
agreed that the design of national projects should reflect a long term rather than short
term vision with a special focus on developing representative forms of local leadership.
Secondly, the key decision was taken that capacity support provided to provincial and
district government should focus on strengthening their planning, monitoring and
coordination roles but not on implementation.

A significant challenge faced initially was the existence of a parallel public sector,
comprising the national and international staff of assistance partners, international
agencies and NGOs who are frequently involved in the coordination of expenditure, the
reporting and monitoring of that expenditure, the implementation of projects and the
delivery of public services. In close partnership with both national and international
NGOs, years of grass roots cooperation experience has been critical to the chosen mode
of implementation. Core capacities for contract management and for maintaining
fiduciary standards have been established through externally recruited advisors37, leaving
the comparative advantage of non state actors to focus on delivery. Importantly, this
program has been realized by key reformers within the Government, backed by well
sequenced political and financial support;

Building capacity within government and facilitating reform consistent with
securing national ownership while balancing requirements for technical quality and
acceptable fiduciary controls has been a considerable challenge. A key task of the
oversight consultant is management of disbursement of block grant funds, which
constitute the largest component under the project. To enable this, a specific designated
account has been established for block grant funds under management of the Oversight
Consultant.

Getting the balance between delivery and capacity building imperatives has not
been easy. Scaling up poverty reduction programs such as NSP and NEEP in the
politically and physically challenging environment of Afghanistan necessitates a
carefully designed and cost efficient institutional arrangement. The requirement to ensure
the simultaneous strengthening of capabilities within government agencies has been of
paramount importance. Careful investment in the most appropriate institutional
architecture for the two programs in the first year appears to be paying off. In particular,

37 Efficient investment for effective capacity building within the ministry still remains to be established.
the contracting of the oversight consultant and facilitating partners has resulted in the establishment of effective management incentives among key stakeholders, with a dynamic, constructive and mutually reinforcing competitive relationship apparent.

The establishment of regular and formalized opportunities for interface / dialogue between government, international partners, facilitating partners and communities has been instrumental in the development of a comprehensive framework for consultation. Institutional innovation has taken place at various levels to mitigate against specific risks identified. These include: 

(i) elite capture of benefits – initially minimised by external facilitation of CDCs election through secret ballot;  

(ii) corruption – addressed in part by the design of financial management arrangements where cash is not directly handled by government; and,  

(iii) delays in financial disbursement due to the absence of a formal banking system – handled by ensuring that the transfer of funds and disbursement for approved community projects is managed by the oversight consultant, initially through the Hawala system until it is determined on a case by case basis that a functioning banking system is established at the provincial level.

Probably the most significant institutional innovation to have emerged to date, and laying the foundation for scaling up sustainable poverty reduction efforts beyond the boundaries of national program implementation, is the establishment of Community Development Councils and the corresponding formation of social capital. Much remains to be seen with regard to community perspectives on the permanence of these institutions and the extent to which their emergence in every village of Afghanistan carries significant implication for the political economy of rural communities. However, at this stage, it is clear that the Government expects this single innovation to prove itself as a critical factor in establishing foundations for a new system of local governance in Afghanistan, as articulated in the Constitution.

Learning and Experimentation

At the global level, international efforts to secure Afghanistan’s future constitute a significant opportunity for international learning. In the Afghan context, varying government authority in the rural areas, a factional mode of politics and clientism at the village and supra-village levels, warlord rivalry and Taliban resurgence in some areas and low paid government officials who may receive salaries on an irregular basis, have all contributed to the necessity for a flexible approach to program implementation. Expectations for the pace of reconstruction necessitate that an intensive and systematic learning process be established. However, adequate technical support and investment in policy and analytical capacity within administration will be essential to ensure that

38 See page iii.
lessons are learned and applied by Afghan’s. While both NSP and NEEP began as pilot projects, and were used to explore the feasibility and effectiveness of various modalities and institutional arrangements, the design of strategies and systems to ensure sustained promotion of learning and innovation is increasingly recognized by stakeholders as a critical requirement.

Within the NSP, the decision to establish a contractual arrangement for 22 Facilitating Partners, with diverse and varied levels of international and national experience, managed by an oversight consultant provides a highly conducive environment for experience sharing across the country. NGOs have been actively involved in community development in Afghanistan for over a decade. The support for a consolidated NSP has vastly expanded the scale of Community Development activities. Based on existing NGO experience, important lessons are already emerging to inform the scaling up of NSP and NEEP. These include (i) communities should be given enough time during planning to ensure full understanding and ownership of the process although this can be speeded up with good facilitation; and, (ii) community contributions towards capital costs in the form of labor or reduced daily wage rates can be supplemented with other forms of contributions (e.g. cash) from more affluent families.

Monthly meetings of facilitating partners, both independently and with the participation of senior government representatives ensure that constraints and challenges are systematically identified and explored. The future role of the oversight consultant will be to ensure that potential solutions are tested in an experimental manner and evaluation is incorporated in the decision making process in order to decide whether to continue and expand a particular approach. As management information systems for both NSP and NEEP come on line, oversight capacities for both NSP and NEEP are expected to be considerably enhanced. Networks for learning and the dissemination of results are also being designed to encourage emerging academic and independent research organizations.

In addition to learning at the national level and between facilitating partners at the provincial and district levels, it is increasingly recognized by both government and facilitating partners that perhaps the most important drivers for learning and experimentation must lie within the village communities themselves. It is anticipated that with appropriate external support and facilitation, CDC members will be empowered to share positive experiences in the surrounding areas and learn from the experiences of others. Care must be taken to ensure that such opportunities for inter-community linkages, as well as intra-community participatory monitoring and evaluation mechanisms are promoted as an integral component of NSP delivery and not sacrificed for the sake of politically driven over-ambitious and accelerated scale up targets. In addition to fostering learning and experimentation between communities, innovative strategies to promote two way communication channels between villages (and village
networks) and local government institutions must be identified and tested. Such channels offer two important contributions to scaling up poverty reduction: i) promoting the responsiveness of public investments vis à vis the priorities of rural people; and, ii) empowering the village level information base such that awareness of opportunities and entitlements is enhanced. Key lessons can be learned from initial experience with the NSP multi-dimensional communication program. Opportunities will need to be developed to build decentralised labour market assessment systems to inform the interaction between NEEP targeting and critical livelihood decisions at the household level regarding how to maximize returns on valuable human capital.

The nurturing of a conducive environment for continued learning and experimentation by stakeholders will be particularly important to promote the outreach of both programs. Concerted efforts, to promote the integration of cross cutting issues to enhance the inclusion of women, returning IDPs and refugees, nomadic communities, disabled people, those affected by efforts to enforce the national ban on poppy and demobilized ex-combatants are already underway at macro and micro levels (see Annex 8).

Perhaps nowhere is the significance of learning and experimentation better highlighted in the Afghan context than with issues of gender. The exclusion of Afghan women and the prevalence of acute gender disparities in Afghanistan, in the areas of economic opportunity, legal rights, access to resources and influence in public and political forums, has a high international profile. The challenges and opportunities of mainstreaming gender issues into both NSP and NEEP are multi-faceted. However, to date, despite the recent establishment of a gender advisory group body, these have not been systematically addressed at the national level. As might be expected, for the majority of government officials in Afghanistan, a gender approach is regarded as an illusive theoretical import with little contextual relevance. More must be done to ensure that opportunity presented by NSP and NEEP is seized to promote gender sensitivity in the context of the Afghan agenda as a way of asking questions about the differences between women and men in various contexts and the potential implications of these differences for policy and program design, implementation, outputs and outcomes.

International experience demonstrates that where programs can apply a gender sensitive approach, the sustainability of investments in the long run will be enhanced. Feedback from NSP facilitating partners and recent monitoring missions have drawn attention to the requirement to invest more in strengthening female trainers and facilitators as a critical input to reach poor women. Given the extent to which community involvement in NSP and NEEP calls for the participation of women and men, understanding the context based gender norms and practices of specific communities is a crucial starting point. For both programs, the integration of gender issues not only makes
bottom line practical sense; it can also drive the realization of fundamental program objectives in the promotion of equity and empowerment.

**External Catalysts**

Both programs are transformatory in nature and present a vision of alternative development paradigms. They re-align the structure of the political economy, enhance central, provincial and district cooperation, and most importantly, enhance legitimate community entitlements to much needed investment support. In essence, both programs remain central to the new administrations enhanced local Governance programs. The role of external catalysts in this process should not be under-estimated. In particular, the political, economic and social challenges of reconstructing post conflict Afghanistan has demonstrated that crises can be harnessed constructively for historically unprecedented change.

The positive lessons learned from World Bank experience in implementing a community driven approach in post conflict contexts were particularly influential in focusing the Afghanistan’s transitional government on opportunities for taking forward the reconstruction agenda. International experience highlighted a number of positive lessons which have been built into the NSP and NEEP including: (i) rapid scale up and adaptability of modular design; (ii) initial investments in and communication of clear, transparent and participatory mechanisms and regulatory framework (sanctions) can yield long term payoffs (sustainability and improved governance); (iii) open menus enhance responsiveness to local priorities; (iv) opportunities for high quality technical support and training to communities (by private sector and NGO providers) to enhance outcomes; and, (v) opportunities for strategic linkage between community projects and district / provincial administration.

Key international agencies have played a central role in the promotion of workable post-conflict models in the Afghan context and in the development of mechanisms to build the confidence of financing partners such that they feel able to provide resources in alignment with nationally owned investment priorities.

**Lessons Learned**

The following key lessons have emerged to date in the design and initial implementation of the NSP and NEEP.
Transformatory poverty reduction programs can be harnessed as catalysts for policy reform.

Effective transitioning from a state controlled to a private sector economy, requires that reform be articulated through the budget. Securing broad based national support for new policy directions necessitates the building on consensus at all levels and through pilot NSP and NEEP initiatives and the challenges associated with scaling up this is being achieved through direct engagement and learning by doing.

Given the transformatory opportunities generated by crisis, and through their status as priority national programs, both the NSP and NEEP have evolved as catalysts for policy and institutional reform, addressing the challenge of public and private sector roles, and practically demonstrating how scarce resources can be channeled for social transformation.

Key reformers within the transitional administration are playing a crucial role in facilitating the reactivation and reform of a collapsed state and unregulated economy. As a result of the centrality of these programs to the reconstruction of Afghanistan, for the first time national policy dialogue is addressing head on concepts of community ownership and governance, decentralization, and consultative dialogue.

Investment in institutional restructuring and strengthening is a precondition for accelerated scale up

New policy directions demand support for institutional restructuring and in particular, for strengthening the capacities of state administration as an enabler and facilitator of development initiatives. Through the decision to build capacities for the management of both NSP and NEEP within government ministries, both programs have provided an essential reference point for redesigning the institutional landscape and effectively targeting technical support. Institutional restructuring and strengthening initiatives are able to lock on to the alternative development paradigms and long term approaches to scaling up empowerment represented by NSP and NEEP.

The NSP has established for the first time in Afghanistan, an effective operational partnership between NGOs and the Government. Based on a consultative process and with full involvement of the NGOs, the Government has been able to develop a national framework for community driven development by drawing on the strength and experience of NGOs for implementation. The result of this consultative partnership has been twofold: (i) the establishment of broad based buy-in from stakeholders (NGOs and international funding agencies) to the program approach; and, (ii) allocation of available funding for community driven development activities to the government through the use
of the development budget as a primary planning tool, thereby strengthening strategic policy formulation.

Introducing new modalities at various levels, NSP and NEEP have highlighted the potential significance of civil society and the private sector as essential and potentially resource rich partners. However, in order to support the adaptation of these players to an increasingly favorable environment, it is clear that sustained assistance and complementary initiatives will be required. For NSP, ensuring commitment and resources to the long term provision of services to facilitate community empowerment processes beyond an initial block grant transfer will be a challenge. For both NSP and NEEP it is increasingly apparent that accelerated scale up urgently necessitates a comprehensive framework of complementary measures to support the emerging private sector in order to expand absorptive capacity.

Initially the innovative institutional frameworks developed for program management focused on the delivery imperative, with less certainty regarding capacity building requirements and the resources that would be required. In facing the challenges of scaling up, a fundamental shift in this balance can now be observed. A broad consensus now exists that emergency measures to strengthen institutional capabilities at all levels must be seen as an essential pre-condition for the effectiveness and credibility of countrywide delivery systems.

Paradoxically then, increased pressure to accelerate and scale up delivery has been accompanied by due recognition of the significance for long term investments in institutions. The requirement to strengthen institutions as systems rather than program management units is clear. However, in practice, the value of strong ‘island’ program management units when strategically located within or alongside restructuring line ministry departments has so far been proven to effectively balance rapid implementation and disbursement with requirements for capacity building and learning. Efforts to promote Afghan ownership and institutional strengthening must be addressed hand in hand. Ultimately successful implementation comes down to having capacity on the ground and the successful scaling up of an effective intervention is crucially dependent on the development of institutional systems to nurture expansion.

**Pilot initiatives can play a key role in building experience and collective confidence**

NSP and NEEP were among the very first national programs of the transitional administration. Piloting has been essential to allow the establishment of an appropriate, affordable and accountable institutional set up although further fine tuning will undoubtedly be required as program funding reduces, and efficiency is to be maintained.
In the face of considerable uncertainty and a highly risky environment, NSP and NEEP (albeit at an early stage) are already demonstrating that it is possible to implement large scale, nationwide community-centred social empowerment and protection programs, involving substantial facilitation at the community level.

These achievements can contribute the increased acceptance by international partners of the linkage between program delivery and political stabilization objectives in a fragile post conflict environment. Deteriorating security could potential inflict significant damage on program achievements and undermine further efforts but it is clearer now than ever that much can be done to minimise risks through the establishment and implementation of contingency plans and complementary initiatives. As NSP and NEEP increasingly bring about tangible changes in the lives and livelihoods of Afghan’s everywhere, it is expected that these will further reinforce efforts to promote human rights, security and good governance at all levels.

**Sustainability issues (fiscal, political, social) cannot be taken for granted and pose a key challenge for institutionalization.**

The greatest threats to the program’s sustainability are political and fiscal in nature. The sustainability (fiscal, political, social) of recurrent transfer mechanisms inherent in NSP and NEEP cannot be taken for granted and remains a key challenge to the institutionalization of both programs. With a high profile publicity campaign, the transitional government has pledged to meet the expectations of households and communities in 20,000 villages. However, the realization of national commitment is critically dependent upon guaranteed international support for political reform and reconstruction.

The sustainability of assets created by NSP depends significantly on social cohesion among communities and on their direct ownership of the process and the assets created. In turn, the establishment of effective and demand responsive markets to provide community support and capacity building services will be crucial to the sustainability and strengthening of CDCs.

However, many of the activities financed by NSP and NEEP require sustained support from line ministries. The issue of fiscal sustainability through effective mobilisation of resources, from international partners, within the domestic economy, is of central importance to the vision and objectives of both programs: (i) to the establishment of a long term block grant transfer mechanism based on a transparent system of entitlement to both community institutions and provincial administrations; (ii) the delivery of key services to the village level (such as primary education and basic health
care); and, (iii) investment in the maintenance of rural infrastructure using labour based approaches to enhance social risk management.

The requirement to strengthen domestic revenue mobilisation capacities is therefore a priority realistically to be addressed in the long term. The vision of both NSP and NEEP points to the requirement that Afghanistan’s consolidated national budget ultimately provides provinces and communities with a predictable and transparent share of revenue to support their financial viability.

However, in the immediate and short term, embarking upon a process for the empowerment of both communities and local governments necessitates an assured flow of funds from the central government. International experience highlights the significance of fiscal constraints in undermining efforts to replicate successful poverty programs at national level.

**The long term agenda for successful scale up needs to be recognized as a co production.**

The conventions of best practice dictate that scaling up initiatives for broad based poverty reduction can rarely be done in one big bang at the national level. However impressive the initial results and anticipated scaling up of NSP and NEEP, the early achievements of both programs need to be viewed in context.

In the Afghan context these pioneering programs have drawn attention to the absence of any fast tracks to building institutions for sustainable poverty reduction. The political commitment to reform and reconstruction processes, from communities, national government and international development agencies will necessitate patience and determination and involves the co-production of investments, outputs and services by many different stakeholders at many different levels.

Initial experience in with scaling up highlights the requirement for the precise assignment of different functions to specific actors at different levels and clarity about what needs to be done and how. As multi-sectoral programs, NSP and NEEP have played an important role in supporting collective learning by stakeholders through their adherence to a shared set of values and approaches, and involvement through partnership in designing basic rules and procedures for transparency and accountability while drawing on sectoral best practice.

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AFGHANISTAN: THE ROLE OF THE NSP AND NEEP IN NATIONAL RECONSTRUCTION

World Bank (2003) Assessment of Microfinance, Livelihood Projects and Income Generating Schemes as an Option for Community Sub-Projects


## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AIA</td>
<td>Afghan Interim Administration</td>
</tr>
<tr>
<td>AREU</td>
<td>Afghanistan Research and Evaluation Unit</td>
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<tr>
<td>ARTF</td>
<td>Afghanistan Reconstruction Trust Fund</td>
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<tr>
<td>ASP</td>
<td>Afghanistan Stabilization Program</td>
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<tr>
<td>CDC</td>
<td>Community Development Council</td>
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<tr>
<td>ECEPWP</td>
<td>Emergency Community Empowerment Public Works Project</td>
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<tr>
<td>ENSP</td>
<td>Emergency National Solidarity Project</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GMU</td>
<td>Grants Management Unit</td>
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<td>IDA</td>
<td>International Development Assistance</td>
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<td>IDPs</td>
<td>Internally Displaced People</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>JPMU</td>
<td>Joint Program Management Unit</td>
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<tr>
<td>LSP</td>
<td>Livelihoods and Social Protection</td>
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<tr>
<td>MIS</td>
<td>Management Information System</td>
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<tr>
<td>MISFA</td>
<td>Microfinance Support Facility of Afghanistan</td>
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<tr>
<td>MIWRE</td>
<td>Ministry for Irrigation, Water Resources and the Environment</td>
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<tr>
<td>MLSA</td>
<td>Ministry for Labour and Social Affairs</td>
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<td>MMD</td>
<td>Ministry for Martyrs and Disabled</td>
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<td>MoF</td>
<td>Ministry of Finance</td>
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<tr>
<td>MRRD</td>
<td>Ministry for Rural Rehabilitation and Development</td>
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<tr>
<td>MPW</td>
<td>Ministry for Public Works</td>
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<tr>
<td>MWA</td>
<td>Ministry for Women’s Affairs</td>
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<tr>
<td>NABDP</td>
<td>National Area Based Development Program</td>
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<tr>
<td>NDB</td>
<td>National Development Budget</td>
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<tr>
<td>NDF</td>
<td>National Development Framework</td>
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<tr>
<td>NEEP</td>
<td>National Emergency Employment Program</td>
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<tr>
<td>NEEPRA</td>
<td>National Emergency Employment Program for Rural Access</td>
</tr>
<tr>
<td>NIB</td>
<td>National Inter-Ministerial Board</td>
</tr>
<tr>
<td>NRVA</td>
<td>National Risk and Vulnerability Assessment</td>
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<tr>
<td>NSP</td>
<td>National Solidarity Program</td>
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<tr>
<td>PIP</td>
<td>Public Investment Program</td>
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<td>TISA</td>
<td>Transitional Islamic State of Afghanistan</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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<tr>
<td>UNODC</td>
<td>United Nations Office for Drug Control</td>
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<td>UNOPS</td>
<td>United National Operations</td>
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<tr>
<td>VAM</td>
<td>Vulnerability Assessment Mapping</td>
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<tr>
<td>WFP</td>
<td>World Food Program</td>
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</tbody>
</table>
## Annex 1. Pilot Projects and Scaling Up Initiatives for NSP/NEEP

<table>
<thead>
<tr>
<th>Project / Program</th>
<th>Stated Objective</th>
<th>Finance</th>
<th>Components</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Emergency Community Empowerment and Public Works Project (ECEPWP)</strong>&lt;br&gt;April 2002 – May 2004 (2 Years)</td>
<td>To establish a single window framework for community development in order to recapitalize villages and neighbourhoods so that they can return to normal levels of activity within their usual economic and trading systems.</td>
<td>USD42 million (2002 – 2004)</td>
<td>Start up Phase National Solidarity Program (USD22 million) to provide community level block grants to support village level reconstruction and development planning. Specific objectives are: &lt;br&gt; a) Support participatory planning and the strengthening of local governance structures &lt;br&gt; b) Help villages rebuild their capital base through the provision of sub-grants and empower villagers to plan for and decide on the investments to be made with the proceeds of the subgrants &lt;br&gt; c) Provide a mechanism for linking community development needs with line agency and NGO service providers</td>
</tr>
<tr>
<td><strong>National Solidarity Program (NSP) – Includes Emergency National Solidarity Project (IDA)</strong>&lt;br&gt;January 2004 – December 2007. (4 years)</td>
<td>To lay the foundations for a long term strengthening of local governance and to assist the reconstruction and development of rural communities through a program framework that can form the basis for future development interventions by the state at the village level.</td>
<td>USD160 million (2004)</td>
<td>Block Grants for Communities to carry out sub-projects involving reconstruction and development activities through a facilitated participatory planning process. &lt;br&gt; Community Facilitation and Sub-Project Preparation to support local communities through facilitation exercises and assistance in preparation of sub-project proposals and implementation / capacity building. &lt;br&gt; Capacity Building and Implementation Support to provide consultants’ services for capacity building, implementation support etc for MRRD to supervise and implement the project and strengthen local communities capacity in financial management, procurement and technical skills. &lt;br&gt; External monitoring and evaluation</td>
</tr>
<tr>
<td><strong>National Emergency Employment Program (NEEP) – 2003 – long term. (scaling up and down as required)</strong></td>
<td>To contribute to rural poverty reduction and facilitate economic and social recovery for Afghanistan through: a) providing a safety net for vulnerable people by creating productive employment opportunities and b) establishing effective mechanisms for developing infrastructure assets, through labor-based methods and based on a private sector-led approach</td>
<td>USD126 million (2003/2004)</td>
<td>The Government is implementing NEEP through all the concerned sector ministries and by developing replicable models and mechanisms to achieve NEEP objectives. Funding, resource allocation and the implementation of projects under NEEP follows Government execution modalities. Funds are allocated in accordance with Government policies related to area and social targeting and sector priorities.</td>
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### Annex 2. NDF, National Priorities and the Expected Contribution of NSP and NEEP

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<tr>
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<tbody>
<tr>
<td><strong>Pillar One</strong></td>
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<tr>
<td><strong>Human and Social Capital</strong></td>
<td>1.1 How to encourage investment and job creation.</td>
<td>Promotion of private sector through cash injection into village communities and resulting contracting of local enterprises / employment generation.</td>
<td>Significant generation of employment resulting from investment in labour intensive public works projects. In built self targeting mechanism ensures that mainly poor and vulnerable unemployed and under-employed benefit most.</td>
</tr>
<tr>
<td><strong>Recognizing the continuing humanitarian crisis and the need to address the pressing needs of the vulnerable, including the refugees, programs will focus on creating the conditions for people to live productive and secure lives through community development and developing social capital. They include refugees and IDPs, education, health and nutrition, livelihoods and social protection and culture, media and sport.</strong></td>
<td>1.2 How can large scale health and education gains be achieved?</td>
<td>Facilitation of problem analysis and priority selection by communities provides opportunity for addressing health and education issues and investing accordingly.</td>
<td>Investments in health, water and education infrastructure may be selected in local planning processes. Increased income for poor people promotes investment in human capital at the household level.</td>
</tr>
<tr>
<td><strong>1.3 What kind of safety nets protect and empower?</strong></td>
<td>Investment in inclusive community based organisations and social empowerment allows communities themselves to decide on how best to utilise resources for risk management.</td>
<td>Employment based safety net provides mainly cash based transfers so that communities are able to use resources according to their own priorities. Transfers are self targeted.</td>
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<td><strong>1.4 How to get the poor and excluded into education?</strong></td>
<td>Investments in educational infrastructure may be community priority in many cases. Establishment and strengthening of inclusive community based organizations provides entry point for dialogue with poor and excluded regarding constraints to education, significance of human capital development for the future and strategies for holding local educational institutions accountable.</td>
<td>Increased income to poor families can help to support children in going to school on a regular basis. Investments in educational infrastructure may be selected in local planning processes.</td>
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<td><strong>Pillar Two</strong></td>
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<tr>
<td><strong>Physical reconstruction and Natural Resources</strong></td>
<td>2.1 How best to effectively distribute assets?</td>
<td>Country wide model for equitable distribution of community block grants based on transparent and objective criteria. Insecurity can threaten effective distribution. Facilitating partners ensure inclusive nature of decision making within community development councils.</td>
<td>National Risk and Vulnerability Assessment (and establishment of long term national systems for poverty monitoring) plays key role in geographical targeting of resources. Alignment of international funds within single national program framework across sectorial ministries presents a challenge. Setting wage rate around or below local market rate ensures inclusion of poor.</td>
</tr>
<tr>
<td><strong>Supporting reconstruction activities to expand physical infrastructure and provide employment opportunities as well as laying the basis for a private sector-led strategy for growth. Programs include urban services, natural resource management, transport, energy, mining and telecommunications.</strong></td>
<td>2.2 How to hasten rural reconstruction?</td>
<td>The project will provide resources through block grants to rural communities for investments in reconstruction or development activities planned and managed by communities themselves. Activities will be either implemented directly by communities or sub-contracted to the private sector.</td>
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<tr>
<td><strong>2.2 What lessons have been learned regarding successful land reform?</strong></td>
<td>Consultations with and within communities strengthens both local and national understanding of land issues through out the country.</td>
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</tbody>
</table>
### 2.3 What are the most effective institutions for regulating the infrastructure required to ensure quality service delivery?

Civil society organised and capabilities strengthened as precondition for demand driven and accountable institutions responsible for service delivery.

Enhanced local government capacities to plan interventions in partnership with communities, oversee implementation of contracts and follow up.

### Pillar Three

**Enabling Environment for Private Sector Development**

Developing a competitive export-oriented economy, to provide an engine for growth and instrument of social inclusion through the creation of opportunities, programs include public administrative reform and economic management, enabling trade, investment and the private sector and security.

<table>
<thead>
<tr>
<th>3.1 How can local investment be promoted?</th>
<th>Strengthening of civil society, synergies with micro-finance interventions and promotion of dialogue within communities and between communities and local government strengthens awareness of constraints to investment.</th>
<th>Oversight agencies support local government to effectively and efficiently manage contracts with private sector.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2 How can government effectiveness be enhanced?</td>
<td>Capacity built within Ministry of Rural Rehabilitation and Development (MRRD) and partner ministries to set and supervise standards and procedures for financial management, disbursement and implementation of projects.</td>
<td>For NSP: community projects implemented by community based organisations or contracted to the private sector and funded by block grants. For NEEP: community, district or provincial level investments implemented by communities or in partnership with the private sector.</td>
</tr>
<tr>
<td>3.3 What are the most effective strategies to ensure synergy across key sectors for optimal outcomes?</td>
<td>Cross-sectoral synergies essential component of NSP strategy given the multi-dimensional nature of rural poverty and community priorities.</td>
<td>NEEP strategy promotes central ministries and line departments at provincial and district level to establish multi-disciplinary teams for participatory planning, contracting and follow up activities.</td>
</tr>
<tr>
<td>3.4 How to understand regional differences and ensure backward regions build on success of others?</td>
<td>Decision on the use of block grants is made through an inclusive participatory decision making process led by community development councils elected through secret ballot. This process will facilitate the emergence of consultative decision making and legitimate local leadership, which can form the basis for cooperation between communities and local government apparatus as well as with other assistance programs. Community Development Councils potentially constitute the lowest level of government institution.</td>
<td>Local level participatory planning processes with provincial and district government are developed to promote a local government that is responsive to people’s priorities. Oversight consultant handles investment funds. A significant proportion of funds channelled through private contractors.</td>
</tr>
<tr>
<td>3.5 What is the role of internal labour mobility?</td>
<td>Extensive participatory consultations with communities and translation of problem analysis into priority identification, enhances understanding of extent and significance of labour mobility.</td>
<td>Oversight agency promotes experience sharing and learning across provinces.</td>
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</tbody>
</table>

Commitment to experimentation and innovation, lesson learning between provinces and experience sharing promotes understanding of regional differences.

Timing of interventions needs to take into account local seasonal labour mobility patterns to avoid disruption of existing livelihood strategies.
Annex 3. Strategy for Linking CDCs with Sub-National Administration

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<tr>
<th>Objectives CDCs strengthened to…</th>
<th>Short Term</th>
<th>Longer Term</th>
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</table>
| **1. Demand improved services** | - CDPs provided by MRRD to line ministry district representatives to inform annual planning for budget  
- CDPs provided to district administration for information purposes only | - CDCs encouraged to collectively organize within a district so as to be more proactive in presenting specific demands to district administration and line ministry representatives. |
| **2. Leverage additional resources** | - District officials may harness CDPs to coordinate assistance and highlight priority needs for additional external resources | - CDCs can determine whether to use their 2nd and 3rd year allocations individually, or as coordinating entities, to leverage additional resources from district or provincial government.  
- Coordinating CDCs could leverage resources for possible large scale investments such as roads linking villages or towns. |
| **3. Monitor service delivery** | - No direct and formal monitoring arrangements in place although FPs may raise issues with district representatives. | - CDCs will be asked (by Facilitating Partners) to provide quarterly monitoring reports to district officials of the Ministries of Education and Health.  

40 The reports will be simple and will essentially report on attendance of teachers and health professionals and availability of textbooks, teaching materials and medicines. Report formats (e.g. Report Cards) will be developed by MRRD in collaboration with the Ministries of Education and Health.
## Annex 4. NSP: Operational Objectives and Performance Indicators

<table>
<thead>
<tr>
<th>Operational Policy Objectives</th>
<th>Key Targets</th>
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</table>
| **Coverage:** NSP covers all of Afghanistan’s estimated 20,000 villages within a 4 year period. In first year three target districts selected by MRRD in each of 32 provinces based on vulnerability assessment. From year two, operations expand to cover all remaining villages with smaller repeater grants provided to villages that successfully implemented projects. | • Year 1: >3,000 villages allocated block grants.  
• Year 1: 80 percent villages receive funds in a timely manner.  
• Year 1: 66 percent of approved grants disbursed.  
• Year 1: >3,000 villages submit sub-project proposals.

| **Block Grant Allocation:** Based on three principles –  
1. One block grant allocated to each community at a rate of US$200 per family with an upper limit of US$60,000 per community. Annual follow up block grants will be allocated at a lower per capita rate to be determined.  
2. One CDC to be established for each community. CDCs not to be established for sub-sets of an existing village on the basis of constituent political, ethnic / kinship divides.  
3. A community is a village of more than 25 families | Year 1: Establishment of 3,280 CDCs  
Year 1: >40 percent villages with either representation of women in Development Councils or in separate councils / committees.  
Year 1: Number of community members trained (financial management and O&M). |

| **Eligibility Criteria for sub-project proposals:** | 
• Proposed by representative elected CDC and endorsed through an inclusive wide consultation process  
• Provides equitable access to benefits  
• Technically and financially sound  
• Includes plan for operation and maintenance  
• Includes 10 percent community contributions to capital cost in cash / kind and responsibility for operation and maintenance  
• Includes plan for operation and maintenance  
• Includes commitment and plans for ensuring transparent use of funds | Year 1: >40 percent villages submit sub-project proposals. |

| **Election and Responsibilities of Community Development Councils:** | 
• CDCs established through elections conducted according to standard rules (including: secret ballot voting, each person (women and men) has one vote, 40 percent eligible voters required for valid election)  
• To ensure inclusiveness family groups (clusters) will provide the basis for elections – each cluster electing one representative for the CDC.  
• Communities identified on basis on existing settlement and social patterns. Villages may join together for asset development where appropriate.  
• CDC responsible for:  
• Oversight to ensure participatory CDP preparation and sub-project planning  
• Mobilization of community contributions  
• Presentation of sub-project plans for appraisal  
• Management and supervision of sub-project implementation with assistance from FP agency  
• Oversight or direct handling of procurement and financial management at community level  
• Reporting to community and MRRD on progress and use of funds. | Year 1: >3,000 villages with CDPs  
Year 1: >500,000 projects submitted.  
Year 1: >50 percent villages comply with requirements for O&M projects.  
Year 1: 55 percent of O&M proposals submitted and approved. |

| **Sub Project Menu:** NSP uses an open menu for sub-projects within four investment categories (subject to a short negative list)  
• Community infrastructure  
• Human capital development activities (e.g. time bound literacy classes, hygiene education etc that will not incur recurrent costs from the state)  
• Self-help savings and credit schemes for women and disabled  
• Asset transfers for vulnerable women and disabled. | Year 1: >40 percent villages submit proposals that directly target women’s needs  
Year 1: Number of families benefited >500,000  
Year 1: Number of units of infrastructure built >1,500  
Year 1: Villages with satisfactory quality infrastructure >90 percent |

| **Sustainability:** 10 percent community contribution and acceptance of responsibility for operation and maintenance built into eligibility criteria. Traditional institutional framework for mobilisation of voluntary labour and water user associations provides important social capital in this respect. | Effective operation and maintenance of sub-projects with 80 percent of completed projects which require cost recovery for O&M collecting 90 percent of O&M |
Experience from NGOs in Afghanistan (e.g. in drinking water supply) demonstrates viability of user payment in cash, kind or labour for market provided maintenance services.

**Monitoring and Evaluation:** Progress monitoring on inputs, process and outputs will be undertaken by FPs and OC using program MIS to generate regular reports on status. Workshops to consult with FPs will be conducted on a regular basis to distill lessons learned and make adjustments as required. Independent external evaluation by a consultant will be undertaken to verify the accuracy of progress monitoring conducted by FPs and OC and to assess achievement of project outcomes against baseline data.

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<thead>
<tr>
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<th>expenses</th>
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<tr>
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<td>Monitoring and evaluation system functioning efficiently and effectively</td>
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Annex 5. NSP and the Election of CDCs

The aim of the NSP is to (i) establish a framework for village-level consultative decision-making and representative local leadership as a basis for interaction within and between communities on the one hand, and with the administration and aid agencies on the other, and (ii) promote local-level reconstruction, development, and capacity-building which will lead to a decrease in poverty levels.\(^{41}\).

To ensure inclusiveness in terms of different socio-economic, factional, and ethnic/tribal (qaum) sub-divisions within the community, the election process will be based on a division of the community into groups of families (clusters) which will each elect one representative for the Development Council. Since neighbours are usually also relatives, the division into clusters will also reduce restrictions on women (purdah) and thereby facilitate their active involvement in discussions of the qualities required for representatives and in the election itself (see outline of electoral and meeting process below).

The size of such clusters will vary depending on the size of the village, but should generally not exceed about 20 families. The clusters would in turn serve as the framework for community-wide consultations on proposals from the Development Council concerning the use of the NSP block-grants through a process where the elected councillors consult with and seek feedback from their electorate before decisions on priorities, sub-projects, and community-contributions (min. 10 percent) are finalised. The inclusion of and participation by women are a very high priority in the NSP, as is the participation by all sub-groups in the communities such as ethnic/tribal minorities, in order to ensure gender, socio-economic and ethnic equity in decision-making and access to benefits.

Elections are conducted according to a specified set of rules which include that (i) everybody in the community who is entitled to vote in government elections is entitled to be registered as a voter; (ii) each person has one vote; (iii) the voting will be conducted through a secret ballot; (iv) both men and women are eligible to vote and to be members of the CDC; (v) candidates and electioneering is prohibited; and (vi) at least 40 percent of eligible voters have to vote for an election to be valid.\(^{42}\) Prohibition of candidature and electioneering is a critical measure to reduce the likelihood of elite capture and intimidation, while it is recognised that they are not sufficient to remove it in practice.

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\(^{41}\) The detailed operational modalities of the program are described in the draft NSP Operational Manual.

\(^{42}\) Draft NSP Operational Manual, para. 33 (p. 9).
In Afghan society and culture, women’s spaces to participate in formal decision-making are strongly restricted, including decisions pertaining to local-level politics and planning which are regarded as exclusively male affairs. The normative framework of these restrictions to women’s participation is the concept of *purdah*, which entails the veiling and seclusion of women. Due to the *purdah* norms, it could thus be expected that in many places, women would be excluded from participating in the CDC elections and in decisions on the use of the funds (block grants) provided by the NSP, or that their participation would be restricted. In such cases, separate elections for women, and separate women’s CDCs are envisaged by the NSP.

Where the *purdah* norms prohibit the joint participation of women and men in meetings and elections, separate meetings and elections for women’s development committees would be held. These should be in close and continuous dialogue and cooperation with the men’s CDCs, concerning election processes, identification, and implementation of development activities. There would be female facilitators deployed by the Facilitating Partner to assist the women in the election process and to also assist in mediating the contacts between the women and NSP.

However, despite these alternative arrangements to provide an avenue for women to influence decision-making regarding priorities and the use of block grants through cooperation with men and through voting, this may in practice be difficult and problematic, in the context of the specific relations between male and female community members. On the other hand, both male and female participation in elections and the use of block grants through CDCs could possibly contribute to change existing local gender relations and powers of decision-making.
Development Council Elections and Regular Community Meetings

Development Council

Elected from Cluster Representatives

Development Council Meetings

Regular Community Meetings
Annex 6. NSP And NEEP: Share of Costs in NDB and SAF

![Graph showing share of costs in NDB and SAF for years 2004 to 2007. The graph compares costs allocated to LSP, NEEP, and NSP.]
### Annex 7. Expected Contribution of NSP/NEEP to Targets for Poverty Reduction

<table>
<thead>
<tr>
<th>MDGs</th>
<th>National Targets for Poverty Reduction by 2015</th>
<th>Expected Contribution of NSP</th>
<th>Expected Contribution of NEEP</th>
</tr>
</thead>
</table>
| 1. Eradicate extreme poverty and hunger | Reduce extreme poverty and hunger from 53 percent and 48 percent respectively to 23 percent and 24 percent | ▪ Empowerment of the extreme poor  
▪ Indicator-based local development plans help to monitor progress in poverty reduction  
▪ Rehabilitation and construction of social and productive infrastructure | ▪ As a safety net, targeted and scaled up on the basis of risk and vulnerability assessment, smoothing and raising of income to alleviate poverty  
▪ Reduces transient poverty among the under-employed in times of economic stress  
▪ Rehabilitation and construction of social and productive infrastructure |
| 2. Achieve Universal Primary Education | Raise primary net enrollment rate from 54 percent (female 40 percent, male 51 percent) to 100 percent for all. Raise adult literacy rate from 36 percent to 56 percent | ▪ Use of block grants to invest in education – infrastructure or services  
▪ Empowerment and inclusion of women creates incentives for female education | ▪ Smoothes household income (protects from shocks) and thereby increases school enrollment and lowers child labour  
▪ Construction and rehabilitation of schools to provide crucial infrastructure |
| 3. Promote Gender Equality and Empower Women | Improve ratio of girls to boys in primary education from 0.52 to 1. | ▪ Enhanced access of girls to schools through attention to appropriate sanitation, security etc. in the construction of buildings  
▪ Community driven development can empower women and enhance their visibility in the public arena | ▪ Girls’ enrollment may be especially sensitive to household income variables.  
▪ Innovations to encourage women’s labour force participation create incentives for female education. |
| 4. Reduce Child Mortality | Reduce infant mortality rate from 165 per 100,000 to 55 per 1000 and reduce under five mortality rate from 260 per 1000 to 130 per 1000. | ▪ Construction and rehabilitation of infrastructure accelerates access to health centres  
▪ Opportunity to enhance awareness and community based action with regard to health problems faced by communities  
▪ Empowerment of women promotes improved health status of women | ▪ Income smoothing helps protect health status in times of stress  
▪ Enhanced incomes increases access to health care  
▪ Improved and pro-poor transport infrastructure promotes access to health care facilities |
| 5. Improve Maternal Health | Reduce maternal mortality rate from 1,600 per 100,000 to 205 per 100,000 | ▪  | ▪  |
| 6. Combat HIV/AIDS, Malaria and Other Diseases | Reduce population at high risk from malaria from 16 percent to 8 percent and TB from 321 cases per 100,000 to 48 cases per 100,000. | ▪  | ▪  |
| 7. Ensure Environmental Sustainability and Access to safe Drinking water and Sanitation | Reduce percent population without access to safe drinking water from 87 percent to 20 percent | ▪ Inclusive community decision making can enhance awareness of environmental sustainability issues and action plans for addressing them  
▪ Assessments built into social funds are important for environmental sustainability | ▪ Raised income reduces dependence on unsustainable livelihood strategies such as sale of timber and fuel wood  
▪ Conservation activities can be undertaken as labour intensive public works to provide environmental benefits as well as temporary employment |
| 8. Develop a Global partnership for Development | • Dissemination of community driven investment mechanisms as an effective instrument for collaborative engagement by development partners. | • As a safety net, employment generation can help to cushion the stresses of political and economic reform (e.g. eradication of opium poppy production) for the poor.  
• Encouragement of development partners to shift from the provision of humanitarian assistance in kind, to more supporting human and social capital investments in cash where ever appropriate |
### Annex 8. NSP/NEEP Social Inclusion

<table>
<thead>
<tr>
<th>NSP and NEEP: Expanding Outreach</th>
<th><strong>NSP</strong></th>
<th><strong>NEEP</strong></th>
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<tr>
<td><strong>Gender</strong></td>
<td>Systematic efforts to ensure the inclusion of women and the facilitation of their meaningful participation in CDCs will be closely monitored by FPs and OC.</td>
<td>Social targeting concerns are being addressed in ongoing dialogue to identify ways to overcome mobility restrictions which constrain the participation of women in public works. An approach to be piloted involves the contracting of labour intensive and culturally appropriate stone dressing services to women’s groups at the village level to supply road construction activities.</td>
</tr>
<tr>
<td><strong>Returning IDPs and Refugees</strong></td>
<td>To facilitate reintegration, agreement that villages with significant intakes will have option of increased block grant allocation subject to participation of returnees. It is expected that this incentive will encourage consultations with returnees during project preparation and use of sub-projects to contribute to sustainable reintegration of returnees.</td>
<td>The generation of employment opportunities provides much needed incomes for all poor households, including those who have recently returned to their villages and are frequently disadvantaged in terms of productive assets, such as land.</td>
</tr>
<tr>
<td><strong>Nomadic Communities</strong></td>
<td>NSP to explore the scope for providing assistance to nomads which could include the facilitation of consultations between specific nomad and settled groups regarding shared rights to land used for pasture or facilitation of access to social services such as health and education. Efforts must be made to ensure enhanced access of nomadic populations to project benefits.</td>
<td>In the immediate aftermath of a national drought (1999-2002) the main constraint to recovery of pastoralist livelihoods is increasing restrictions on access to pasture due to population displacements and shifts in inter-ethnic power relations. The provision of emergency employment opportunities consistent with seasonal movement patterns can accelerate either the restocking of herds, or the transition to settled livelihoods for different groups.</td>
</tr>
<tr>
<td><strong>Disabled People</strong></td>
<td>The participation of disabled people in community development councils will be closely monitored and as it stands the menu for eligible sub-projects allows for communities to use 25 percent block grant allocations as a resource transfer for vulnerable groups such as disabled people where this is a collective priority.</td>
<td>Disabled people living in rural communities are expected to benefit from the pilot being introduced to address mobility restrictions for women (stone dressing etc.).</td>
</tr>
<tr>
<td><strong>Poppy Ban Affected</strong></td>
<td>Experiences from the early nineties onwards with the use of community development projects as incentives to wean farmers from poppy cultivation demonstrate that no single development program can be expected to provide sufficient incentives for farmers to abandon poppy production. Using block grants for microcredit and income generation activities would add another element to a package of development incentives that in combination with effective law enforcement, could support alternative economic growth and employment.</td>
<td>Wage rates for the estimated 1 million daily laborers involved during peak periods go as high as US$10 per day. However, if supplemented by effective enforcement of a ban on poppy cultivation, the cumulative effect of additional opportunities for income diversification may play a positive role as part of a package of incentives aimed at providing alternative livelihoods to farmers currently engaged in poppy production.</td>
</tr>
<tr>
<td><strong>Demobilized Ex-Combatants</strong></td>
<td>The Afghanistan’s New Beginnings Program seeks to decommission the Afghan Military Forces and promote opportunities for approximately 100,000 ex-combatants to re-enter civilian life.. The Government expects that block grants furnished by the NSP for community projects, will provide direct employment and stimulate economic recovery which will contribute towards creating a setting conducive to reintegration. A more direct linkage could be established if the DDR or another program establishes training to build capacity among former soldiers and combatants as artisans within the construction sector or to undertake small-scale contracting.</td>
<td>A key component of the Disarmament, Demobilization and Reintegration (DDR) strategy is to ensure that where possible ex-combatants are able to access national development programs such as NEEP. NEEP potentially provides substantial short and longer term employment opportunities including: i) short term unskilled daily labour; ii) apprenticeships for skilled labour with NEEP contractors iii) vocational training for demobilized soldiers based on assessment during employment with NEEP; and, iv) support for demobilized soldiers to register as small contractors.</td>
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