Country and Sector Background

1. In the years since 2001, Afghanistan’s progress in some sectors has been impressive. New road networks have reduced travel times and improved rural access; school enrolments have reached historic highs; health facilities are gaining outreach; thousands of rural communities have been mobilized for development; commercial banks have opened up for business and microfinance programs have extended services to thousands, predominantly women. However, the situation is far from normalized, and the country has not fully emerged from its state of conflict. For every success, there remain formidable, numerous challenges.

2. Poverty Remains Persistent. Afghanistan is ranked the second poorest country in the world, with 70 percent of the population living below the poverty line of US$ 2. The vast majority of the population—about 80 percent—live in rural areas, where the poverty rate is even higher, literacy rates are lower, and services are more scarce. Compounding the problem is that institutions of the government, as defined by the constitution, do not yet exist below the provincial level, making delivery of the most basic services all the more difficult.

3. In terms of local amenities and services, there remains an immense need for a more coordinated and multi-faceted development approach to be adopted and implemented by the Government of Afghanistan with the support of its international donor community. This approach needs to include elements of both local governance enhancement and provision of much-needed reconstruction and rehabilitation.

4. Security Challenges are Increasing. To add to the development challenges, opium production and poppy cultivation continue to flourish in certain parts of the country in spite of multi-party efforts to eradicate poppy and introduce alternative livelihoods. The penetration of the Taliban and other insurgent/anti-government elements is also growing. An estimated 1800 illegal armed bands, including a resurgent Taliban force, threaten security in many parts of the country, and a series of attacks in the past couple of
years have illustrated that even the capital city of Kabul is not adequately protected or immune from them.

5. The year 2010 will be critical for Afghanistan. Both the Government of Afghanistan and its donor allies have a general agreement on a time-bound exit strategy. In that period the conflict needs to give way to stabilization, and then responsibility must fully shift to an effective, legitimate government. There is a need to match the large-scale security operation with an equally powerful development strategy that can deliver visible results to a large number of Afghan communities. On that front there is still a fairly long way to go. The civilian equivalent of security would be that Afghan communities feel that their concerns are heard and that the government responds to them appropriately.

Objectives

6. Building on the first two phases of NSP, the proposed third phase will continue to build local governance and providing basic public infrastructure to rural Afghanistan. The primary objective of NSP as a whole will remain to lay the foundation for and strengthen community-level governance and support community-managed subprojects that improve access of rural communities to social and productive infrastructure and services. The primary objective of NSP III will be to build, strengthen and maintain Community Development Councils (CDCs) as effective institutions for local governance and social-economic development.

Rationale for Proposed Project

7. Since its inception in 2003, the National Solidarity Program (NSP)—implemented by the Ministry of Rural Reconstruction and Development (MRRD)—has evolved into the Afghan government’s primary delivery mechanism for rural reconstruction and development. NSP Phase I—operating from May 2003 to March 2007—covered around 17,300 communities. The NSP Phase II, which started in April 2007 and which will be implemented through September 2011, covered about 5,900 additional communities, thus bringing the total NSP coverage to 23,180 communities contracted to NSP’s Facilitating Partners.

8. NSP mobilizes communities and facilitates transparent elections based on adult franchise and secret ballot elect members to form CDCs. Block grants to communities fund subprojects that are identified through a participatory planning process and managed by the elected CDCs.

9. Around 15,000 of these communities have completed all work and the remaining work in around 8,000 communities is expected to be completed by September 2011. In the period between 2003 and the first quarter of 2010, CDCs proposed over 50,000 subprojects, secured financing for them, and successfully completed over 38,900 of them. Another 12,000 or more are underway. These subprojects have addressed vital community needs in the sectors of transport, water and sanitation, irrigation, power, education and others. As such, CDCs have proved to be a key vehicle in the delivery of the ANDS benchmarks related to rural infrastructure and community development under the Agriculture and Rural Development Pillar.

10. 22,490 CDCs have been mobilized that represent 35,200 villages. At the same time, nearly 15,000 CDCs have completed implementation of their initial NSP block grant, and since they will not have access to any assured future funding to perform their intended role as local development bodies, their institutional sustainability is in question. Unless support for the outreach of NSP to all of the country’s villages is supplemented by support to maintain the already established CDCs beyond the initial NSP

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1 On average, one CDC represents 1.6 villages or rural settlements. NSP therefore is also consolidating smaller rural settlements into larger more manageable units.
block grant, the consequence could be the withering away of a critical institutional mechanism for service delivery in rural villages, which have been established at considerable cost and effort over the past seven years. In the medium term, there is not and will not be any replacement for this mechanism. The consequence could also be that the expectations NSP has fostered of government responsiveness to local needs would go unmet, which would weaken the credibility of the government in the rural areas.

11. An operation to consolidate the CDCs, which at the same time incorporates the innovative approaches that have been piloted regarding clustering of CDCs and linkages to the district level through District Development Assemblies, would furnish the missing basic framework for the critically needed integration and coordination of local level development assistance provided by different line ministries and donor programs. This in turn would in all likelihood—as indicated by prior experiences from the NSP—enhance the confidence among the rural population in the responsiveness and capacity of the government, and thereby constitute a key element in a strategy to achieve political stabilization in the rural areas.

12. The World Bank’s report entitled Afghanistan: Economic Incentives and Development Initiatives to Reduce Opium Production (February 5, 2008) recommends further strengthening of the CDCs as focal points for development to help build conducive conditions for the growth of a licit rural economy.

NSP Performance Has Been Strong

13. Despite Afghanistan’s volatile environment, NSP is among the most heavily evaluated programs in the country. A midterm evaluation of the first NSP undertaken by the University of York in 2005-06 found significant evidence of (a) empowerment of CDCs, (b) improved community relations, and (c) increased public faith in the system of government in villages reached by NSP. The Implementation Completion Report for NSP I covering the period from January 2005 till March 2007 found, that among the 10,357 completed subprojects access to major basic services like power, roads, drinking and irrigation water, and education accounted for 71 percent of the subprojects and 79 percent of the block grants disbursed. Of the 1.15 million rural families that directly benefited from these CDD sub-projects in the power, roads, water, and education sub-sectors, about 0.6 million were moderately to extremely poor families. The overall subproject economic rate of return within these sectors was 23.6 percent.

14. Currently NSP is undergoing another impact evaluation being carried out by Harvard University. The impact evaluation commenced in 2007 and is a multi-year randomized study designed to quantify changes, across indicators such as economic activity, agricultural production, access to infrastructure and services and perceptions of local governance. The evaluation included 500 villages across rural Afghanistan, half of which were randomly selected to participate in NSP, whereas the other half were control villages. Data for the study is provided by three major household and focus group surveys. The baseline survey was completed in August/September, 2007, prior to the commencement of NSP activities in the treatment group. The first follow-on survey was undertaken between May and October, 2009 and a second follow-on survey is planned for the autumn of 2010. Findings from the first follow up survey show that:

- CDC’s maintain accurate records and can account for funds;
- subproject investments are economically viable;
- CDC projects are highly labor-intensive and most money is spent locally;
- CDCs have high levels of local ownership and participation;
- CDCs contribute significantly to GOA’s gender equality objectives.
- increasing the proportion of girls that attend school and the availability of training for women;
- increasing the extent to which female respondents believe they are benefiting from local development projects;
- reducing reliance on primary economic activities; and
• improving female engagement in local economic activity.\(^2\)

15. The impact evaluation findings show that, in a comparison of local governance outcomes between treatment and control villages NSP appears to increase activities by local leaders and the regularity of village assembly meetings. It has shifted authority from tribal elders and has re-engaged local commanders in village life, where applicable. It also appears to have increased respect for central and sub-national governance authorities among villages, improved perceptions of local security; and decreased out-migration. NSP has increased female participation in local governance, improved acceptance of female involvement in the selection of the village headman, and increased the respect for senior women in the village. A larger proportion of women report that they have someone—an individual or a group—which whom they can share their problems.

Description

Summary of Project Components
16. The project comprises of three components: (i) Maintaining institutional quality of CDCs; (ii) Access to infrastructure and basic services and; (iii) Project implementation support. The key features of each component are as follows:

17. **Component 1: Maintaining institutional quality of CDCs (US$ 460 million):** The objective of this component is to maintain and strengthen the capacity, sustainability, management and governance of Community Development Councils and their federations (Cluster CDCs) – to serve as a vehicle for local development and governance for rural communities in Afghanistan.

18. The component will entrust Facilitating Partners to deliver the following activities (see Annex 1 for details of activities):
   a. Community mobilization of new CDCs and revitalization of existing CDCs;
   b. Facilitate democratic elections of CDCs through secret ballot;
   c. Support the development of Community Development Plans (CDP) through a demand driven, participatory and transparent process based on which CDCs will submit sub-project proposals for block grant funding;
   d. Provide technical support during the implementation of the sub-project;
   e. Build the capacity of CDCs to open bank accounts, carry out basic financial management of grants, procurement and Operations and Maintenance for sub-projects and;
   f. Build linkages amongst CDCs to improve cross learning; and with local government, line agencies and other development partners.

19. The expected outcome under this component is to have good quality CDCs that can lead and manage socio-economic development, governance and funds at the community level. For the purposes of measuring this component’s success, the FP performance will be evaluated against their revised Terms of Reference in the Operations Manual which will form an essential part of FP contracts.

20. **Component 2: Access to infrastructure and basic services (US$1.727 billion):** The objective of this component is to establish basic services and infrastructure that are identified, implemented, and maintained by communities. Funds under this component will be given to CDCs as block grants upon approval of their CDPs and once they meet certain eligibility criteria (such as conducting fair CDC elections, engaging in participatory and transparent decision making, book keeping).
21. The component will finance an estimated 43,820 block grants to 33,500 CDCs in the following manner:

(i) **A first block grant** will be given to the newly mobilized CDCs that will be introduced to the NSP fold. It is estimated that 10,320 new CDCs will receive the first block grant;

(ii) **A second block grant** will be given to existing CDCs that were operating under NSP I and II and that have utilized their first block grants in accordance with their development plans. The newly formed CDCs (as mentioned above) will also be eligible for a second round of block grants once they complete implementation of the sub-projects from the first block grant. The FPs will ensure that a maturity assessment (see Annex 1) is carried out before CDCs receive their second block grant. Through this process it is estimated that 23,180 existing and 10,320 new CDCs will receive the second block grant.

<table>
<thead>
<tr>
<th>Block grants</th>
<th>Total no. of CDCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. New CDCs formed under NSP III</td>
<td>To receive the first Block Grant</td>
</tr>
<tr>
<td>ii. New CDCs + Existing CDCs</td>
<td>To receive the Second Block Grant (upon completion of the first sub-projects and a maturity assessment)</td>
</tr>
</tbody>
</table>

Total no. of block grants given to CDCs at the end of 7 years | 43,820

22. The block grant amount will be determined by the number of families in a community at the rate of US$200 per family, but with a maximum ceiling of US$ 60,000 per community even when the community has over 300 families. The average block grant per community is determined to be US$ 33,500 and this has been used as the basis for estimating the block grants needed.

Component 1: Facilitation, community mobilization and capacity building through Facilitating Partners (US$ 460 mil)

Component 2: 43,820 First and Second rounds of block grants to new and existing CDCs (US$1.468 bil.)

Component 3: Project Implementation Support (US$ 144 million): This component will support the various governance, planning, management, oversight, and monitoring and evaluation activities of NSP III. This component is divided into four key activities, namely:

a. **Operational costs:** It will cover all costs for the NSP core structure and MRRD incremental operating costs (IOCs) that will cover salaries of staff that are supporting NSP as well as Technical Assistance to the project and jointly support: oversight and reporting of the Program as a whole; review and approval of 87,640 subproject proposals; financial and procurement management for the entire program including block grants worth of US$1.468 billion; monitoring of around 33,500 CDCs; and post-implementation support of around 20% of all completed subprojects.
b. **Monitoring & Evaluation:** MRRD’s NSP management unit will be responsible for the overall M&E of the program and the responsibility for sector specific M&E will be assigned to specific units (see figure 3). See Annex 6 for further details on the Monitoring arrangements. NSP internal reporting take place at various stages of the project cycle and financial status and will occur weekly, monthly and quarterly. Under NSP III, a number of studies will be commissioned to better understand the qualitative performance and impact of the project interventions.

c. **Monitoring the Clustering of CDCs:** This component will support the monitoring of a pilot that NSP has engaged in (with a grant from the Japan Social Development Fund) to ‘Cluster’ CDCs (CCDCs) at the sub-district level. Representatives of CDCs are elected to sit on a Cluster level body and develop cluster-wide development plans which will be funded by a block grant. This process will encourage communities to develop a broader vision that goes beyond individual CDC needs, and provide an effective development impact at the sub-district level. The CCDC structure will also act as a platform where individual CDCs gain a collective voice and build scale for an effective interface with local government bodies, line agencies that provide services to entities larger than a single village (such as for irrigation, rural access, health and education), donors and with the private sector. This pilot will be monitored closely and if it proves successful, it will be rolled out to the rest of the country.

d. **High Risk Areas Strategy (HRAS):** This component will also cover additional costs incurred by operations in High risk areas based on the HRAS. NSP has found that in certain areas, FP staff have had difficulty accessing communities on a regular basis and are therefore unable to carry out the NSP processes as per the NSP Operational Manual.

### Financing

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<tr>
<th>Source:</th>
<th>($m.)</th>
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</thead>
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<tr>
<td><strong>BORROWER/RECIPIENT</strong></td>
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</tr>
<tr>
<td>International Development Association (IDA)</td>
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</tr>
<tr>
<td>Afghanistan Reconstruction Trust Fund (ARTF)</td>
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<td>Secured</td>
<td>1,252.00</td>
</tr>
<tr>
<td>To be secured</td>
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</tr>
<tr>
<td>Japanese Social Development Fund</td>
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</tr>
<tr>
<td>Secured</td>
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</tr>
<tr>
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<tr>
<td>Community Contribution</td>
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<tr>
<td><strong>Total</strong></td>
<td>2350.20</td>
</tr>
</tbody>
</table>

### Implementation and Institutional Arrangements

25. The organizational structure for NSP implementation consists of three levels of management. At the national level, MRRD provides general oversight to the project but the project is managed by the program management office - NSP. At the provincial level, NSP outsources project implementation to 28 Facilitating Partners consisting of both national and international NGOs as well as one UN agency. NSP also has Provincial Management Units (PMUs) that closely monitor FP performance. The FPs facilitate the mobilization of the target communities to form the CDCs and to provide them with technical guidance for the management of block grants and planning and implementation of the subprojects at the village level using the block grants. At the village level, Community Development Councils (CDCs) are
established through whom community prioritized sub projects are implemented. The CDCs ensure that a high level of accountability and transparency is provided to the ultimate beneficiaries.

26. NSP III institutional arrangements build on successful elements of the existing structure, but some adjustments have also been introduced, with a special attention to further decentralization of the program management, reduced role of international technical assistance, strengthened monitoring of FP performance, simplification of implementation arrangements, increasing involvement of women, adjusting implementation in high risk areas, and clustering of CDCs.

Sustainability

27. The emphasis of NSP III as currently designed is on expansion to achieve national coverage and sustain the already formed CDCs. NSP has withdrawn from around 15,000 CDCs that have completed implementation of their block grant. These CDCs will longer receive any assured funding. Without the means to undertake the functions for which they were established, their sustainability is in question. Potential access to resources through other programs and projects is limited, unevenly distributed across the country, and often not targeting the CDCs as the entry point for delivery.

28. The substantial risks to the institutional sustainability of the CDCs should be viewed in a broader context. A significant rationale for launching the NSP was the assessment by the government, that its legitimacy in the rural areas would in no small measure depend on its ability to deliver long awaited assistance to rural communities across the country and to involve them in participatory governance of the use of this assistance. High expectations have been created in the rural areas regarding continued assistance for local development through the CDCs, which now risk not being met. This is critical in a situation where the intensified insurgency is attributed not only to the state’s inability to provide internal security and to control its borders, but also to a situation where poor governance and limited development efforts, particularly at the provincial and district level, continue to result in political alienation that both directly and indirectly sustain anti-government elements.

Safeguard Policies (including public consultation)

29. It is expected that the subprojects implemented by the communities through NSP III will remain with limited adverse impacts on social aspects. However, the cumulative impacts of so many projects together with projects from other sectors could be high and therefore it would make sense to pay more attention to mitigation measures. The environmental and social safeguards (ESS) unit will be responsible for overseeing the implementation of ESMF. In addition, ESS focal points will also be appointed at FPs field offices and CDCs level to ensure proper implementation of safeguards. Moreover, the community participatory monitoring approach shall be extensively used in implementation of the mitigation measures.

30. Consistent with existing national legislations, the Environmental and Social Management framework (ESMF) has recently been revised by the client to respond to the requirements of NSP III. In order to build the capacity of the relevant staff to effectively implement the ESMF, ESS training program shall be undertaken for relevant staffs at NSP/PMUs, FPs, contractors and CDCs level. Likewise ESMF and ESS training materials shall be translated into both Pashto and Dari languages in order to increase its readability by the target audience at various levels and shall be made available at the World Bank’s Info-shop.
31. Safeguard Policies

<table>
<thead>
<tr>
<th>Safeguard Policies Triggered (please explain why)</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>Environmental Assessment (OP/BP 4.01)</td>
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<td>Environmental Category: B</td>
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<td>Indigenous Peoples (OP/BP 4.10)</td>
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</tr>
<tr>
<td>Involuntary Resettlement (OP/BP 4.12)</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>No involuntary land acquisition would be allowed under the project, but Operational Policy 4.12 is triggered, because there may be a need for limited land acquisition in connection with certain sub-projects. This will only take place through either willing buyer-willing seller, voluntary donations or through mutually agreeable community compensation, the guidelines for which are included in the Environmental and Social Safeguard Management Framework (ESSMF). The ESSMF also contains procedures for recording land acquisition, restoration of housing, and compensation for loss of land and livelihood by project-affected families, all of which is done in a consultative and mutually agreeable manner and in compliance with OP 4.12. A satisfactory settlement of the land acquisition issues is a precondition for sub-project implementation and any form of land acquisition must be fully documented.</td>
<td></td>
<td></td>
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<tr>
<td>Safety of Dams (OP/BP 4.37)</td>
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<td>Projects on International Waterways (OP/BP 7.50)</td>
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</tr>
<tr>
<td>Projects in Disputed Areas (OP/BP 7.60)</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

32. Contact

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