ARTF at a Cross-Roads: History and the Future

Final Report

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This Report is the responsibility of the consultants and does not necessarily reflect the views of the World Bank, the Government of the Islamic Republic of Afghanistan, the donors to the ARTF, or any other organization or informant referred to. Any remaining errors of fact or interpretation are the responsibility of Scanteam.

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Acronyms and Abbreviations

AAA  Analytical and Advisory Activities
ADB  Asian Development Bank
AFMIS  Afghanistan Financial Management Information System
AFN  Afghanistan Afghani (national currency)
AITF  Afghanistan Infrastructure Trust Fund (ADB)
AREU  Afghanistan Research and Evaluation Unit
ARTF  Afghanistan Reconstruction Trust Fund
CDC  Community Development Committee
CDP  Community Development Program
DDA  District Development Assembly
DFID  Department for International Development (UK)
EQUIP  Education Quality Improvement Program
GI RoA  Government of the Islamic Republic of Afghanistan
IDA  International Development Association (World Bank)
IDLG  Independent Directorate of Local Governance
IEG  Independent Evaluation Group (World Bank group)
IMF  International Monetary Fund
IP  Implementing Partner (NERAP)
IRD  International Relief and Development
IRRIP  Interim Rural Roads Investment Plan (NERAP)
ISAF  International Security Assistance Force
LOTFA  Law and Order Trust Fund of Afghanistan
MA  Monitoring Agent (ARTF)
MAIL  Ministry of Agriculture, Irrigation and Livestock
MC  Management Committee (ARTF)
MDTF  Multi-Donor Trust Fund
MoE  Ministry of Education
MoF  Ministry of Finance
MoPH  Ministry of Public Health
MPW  Ministry of Public Works
MRRD  Ministry of Rural Rehabilitation and Development
M&E  Monitoring and Evaluation
NGO  Non-Governmental Organization
NPP  National Priority Program
NERAP  National Emergency Rural Access Program
NSP  National Solidarity Program
O&M  Operations and Maintenance
PAM  Performance Assessment Matrix
PDO  Project Development Objective
PFM  Public Finance Management
SA  Supervisory Agent (ARTF)
SCM  School Management Committee
SHARP  Strengthening Health Activities for the Rural Poor
SY  Solar Year
TA  Technical Assistance
TTL  Task Team Leader (World Bank)
UMSP  Urban Management Support Programme (NPP)
UNAMA  United Nations Assistance Mission to Afghanistan
UNDP  United Nations Development Programme
UNOPS  United Nations Office for Project Services
USD  United States Dollar
WB  World Bank

Exchange rate:
USD 1 = AFN 51.5 (approximate rate, June 2012)

Solar Year (SY):
The beginning of Afghanistan's fiscal year, the Solar Year (SY), corresponds roughly to
21 March in the Gregorian calendar (though Afghanistan will change its fiscal year to
begin on 1 January as of 2013):

SY 1381 = 21 March 2002 – 20 March 2003
SY 1382 = 21 March 2003 – 19 March 2004
SY 1383 = 20 March 2004 – 20 March 2005
SY 1384 = 21 March 2005 – 20 March 2006
SY 1385 = 21 March 2006 – 20 March 2007
SY 1386 = 21 March 2007 – 19 March 2008
SY 1387 = 20 March 2008 – 20 March 2009
SY 1388 = 21 March 2009 – 20 March 2010
SY 1389 = 21 March 2010 – 20 March 2011
SY 1390 = 21 March 2011 – 19 March 2012
SY 1391 = 20 March 2012 – 20 March 2013
1 Executive Summary

The donors to the Afghanistan Reconstruction Trust Fund, ARTF, commissioned a review of the ARTF with the objectives “to assess the strategic positioning of the ARTF in the context of the changing needs that the Afghan transition implies.... The review will consider how ARTF operations, management, and resourcing should evolve over the period to ensure it has the capacity to be a main conduit for international on-budget assistance to the Afghan government” (see Annex A). The report is thus primarily forward-looking but includes a stocktaking part, using also the findings of other studies. This report summarizes findings, conclusions and recommendations.

1.1 Stocktaking

The overall structure and functioning of the ARTF is seen as very good, due in part to governance changes that have increased the role and voice of the Government of the Islamic Republic of Afghanistan (GIRoA), but also due to continued strong commitment by ARTF donors. The ARTF remains the mechanism of choice for on-budget funding, with low overhead/transaction costs, excellent transparency and high accountability, and provides a well-functioning arena for policy debate and consensus creation. The close links with IDA provide economies of scale and free access to high-quality relevant knowledge products (Bank AAA), but raises questions about ARTF funding decisions being too much driven by IDA choices.

Several sectors have produced strong Output results (public finance management, health, education, National Solidarity Program/NSP) but so far only health provides consistent Outcomes tracking. This is surprising given the size, spread, importance and longevity of the larger projects. The recently contracted Supervisory Agent is providing useful data on local infrastructure investments. On-going impact evaluations of the NSP and the National Emergency Rural Access Program, NERAP, will provide more comprehensive results data.

Ministry leadership that provided vision, positive framework conditions and pushed for delivery and results has been critical to the success stories, as was solid up-front studies/planning and donor support. Shorter-term and smaller interventions coupled with a lack of national “champions” were seen as key reasons for lack of success in other sectors.

Capacity development is key to Afghanistan’s development. The recently approved Capacity Building for Results (CBR) project is providing a larger, more coherent and demand-driven approach to the public sector’s challenges, but is heavily focused on national level.

Governance issues are closely linked with the capacity development concern. While there is an increasing attention to the judicial sector and concerns of “good governance” in terms of fighting corruption, actual results so far have been very limited, and the continued extremely poor rating of Afghanistan on various corruption measures reflects both the serious challenges that Good Governance initiatives are facing, but also pose a serious threat to the credibility and legitimacy of the national authorities in the eyes of its own electorate and its international funding partners.
The recommendations from the 2008 review have largely been addressed by the ARTF, many of them adopted and implemented, though some issues are pending:

- **Gender** has become a more visible dimension in some projects, with social sector projects providing more gender-disaggregated reporting. What is missing is a structured approach to defining medium-term objectives in relevant projects and ARTF as a program; more reporting, analysis and knowledge generation on geographic/sectoral results, differences and opportunities for progress. Given likely (regional) challenges to gains already produced over the coming period, more intensive and detailed reporting becomes particularly important.

- **Performance tracking** has improved with the Supervisory Agent, NSP impact assessment etc, but considerable work remains to get a consistent, comprehensive and critical tracking and reporting system in place for ARTF as a program.

- **Managing natural resource rent** has been defined as an IDA and not ARTF issue but the ARTF partners should nonetheless verify that this is happening: “the resource curse” may become a major challenge for all development partners.

### 1.2 ARTF as Vehicle for Transition and Transformation

The Transition phase for the ARTF is likely to be a period of increased uncertainty, reduced implementation options, uneven political will and capacity to implement across the country and sectors, and thus a period where economic returns to activities may be lower and certainly more difficult to measure. The ARTF should thus focus on defending the gains achieved by concentrating on the activities/sectors that are the more successful ones – public finance management, social sectors, and rural development – and for the time being scale back ambitions regarding expanding into new sectors.

Donors are being asked to align their funding better with GIRoA priorities and increase the share that is on-budget. Disbursements through the ARTF are therefore expected to double to about USD 1 billion/year over the period 2012-2014. While the Transition phase may last longer than currently expected, it may provide opportunities for reconsidering parts of the Financing Strategy. One option in particular is strengthening sub-national governance and capacities by focusing on operations and maintenance (O&M) tasks, which generally are easier to carry out, for which there is more local capacity, and which may generate more immediate local economic benefits and be geographically more equitably distributed. A strong suggestion is thus to increase O&M expenditures considerably. This will require elaborating an O&M disbursement strategy to balance funding through national versus sub-national government; which assets are to be included and which cannot be addressed (based on the decisions of the Transition Coordination Commission); how to program, contract, monitor and quality assure O&M activities at different levels and across the key sectors, etc.

The ARTF should make resources more flexibly available in those sectors that have capacities in place, such as education where several projects already exist. While the move to Sector Wide Approaches needs to be realistic, the ARTF should have this as an objective and agree with GIRoA how to structure and pace this move from project financing to program (sector, NPP) funding.
In general the support to improve public finance management, including through strengthening a more coherent, comprehensive and quality budget structure and process, remains a key task. Further structural reforms and a more solid fiscal framework that covers an increasing share of donor funding is important for the move towards more GIRoA leadership on programming and priority setting.

As the ARTF increases in size, takes on more complex issues (sub-national governance, and O&M), and faces more uncertainty, the demands on management and technical staffing is seen to increase. ARTF may consider various burden-sharing options:

- Donors and GIRoA have all expressed a desire and willingness to take on more of the policy analysis and decision making responsibilities, but actors need to document actual capacities they will make available.
- Much of the quality assurance (QA) and monitoring and evaluation (M&E) tasks can be contracted out, with particular attention to using and building national skills as a means of strengthening domestic accountability.
- A general fund for innovation, piloting, QA and M&E work can be set up since the increased uncertainty and probable greater activity level at sub-national levels will create a need for much more diversified and new approaches to tracking performance and generating actionable information. Such a fund could be divided into different task streams, with different donors assuming the technical/results responsibilities for the activities contracted, leaving the Bank with a more limited set of responsibilities.

The national authorities want to put in place a program of transferring tasks and responsibilities from the ARTF to national actors. This could include simplification of procedures, more use of ex post verification rather than ex ante approvals, more flexibility on contracting and hiring, etc. However, such shifts in responsibilities need to be based on contractual agreements with performance criteria that should include dimensions like fight against corruption and in general improved human rights and governance performance.

The ARTF partners will need to assess the overall staffing needs, and how the various tasks can be allocated. Given the increasing size of the fund and demands for more performance tracking and reporting, however, the World Bank will probably need to increase its field presence. While this will pose problems in terms of recruitment, infrastructure and security arrangements, this staffing increase will almost certainly be unavoidable, and operational solutions must simply be designed.

1.3 Recommendations

1. The ARTF should rethink its Financing Strategy in light of likely increases in uncertainty during the Transition phase. A comprehensive operations and maintenance (O&M) program, covering national and sub-national (province and district) administrative levels may provide a basis for equitable allocation of resources, strong support to local capacity development, utilization of local entrepreneurial skills and capacities, strengthening local presence and visibility of the state, thus also building the foundations for longer-term development locally.
2. Within the concerns above, the ARTF should continue aligning its funding profile to the ANDS/NPPs, support continued structural reforms in PFM, move from project to program/sector (SWAp) funding when national policies and instruments permit this, transfer implementation to national authorities against agreed-upon performance targets and relying more on ex post verification rather than ex ante permissions.

3. The ARTF should develop a comprehensive results/M&E strategy, defining which variables on which projects that are to be tracked how far out the results chain how often, focusing on the key dimensions. As part of this strategy:
   - Identify key issues across projects that should be systematically covered (labor, security, corruption) with particular attention to gender, not least in light of gender gains probably coming under increasing pressures if security deteriorates;
   - A separate fund should finance innovative/pilot activities on implementation, analysis, quality assurance/monitoring and evaluation of activities, opening up in particular for more use of Afghan knowledge actors, including through twinning, to strengthen performance monitoring, local accountability mechanisms, policy development and public debate.

4. The ARTF should support the development of a capacity development strategy for core parts of the public sector at national, province and district levels that identifies how the ARTF’s CBR and Incentive Program can best contribute to more sustainable public sector delivery capacities. A key task is to strengthen the ability of sub-national government to handle increased funding and management of O&M activities.

5. Data important for improved decision making such as unit costs, operations and maintenance ratios (such as standardized O&M costs per km road built etc) should be generated and made easily available, to enable bench-marking, promote competitive tendering, local monitoring of resource use (anti-corruption), etc.

6. The ARTF should establish a clearer own identify/visibility with a communications strategy that includes stand-alone web-site with Pashto, Dari versions, information arrangements ensuring a broader dialogue between partner staff and project TTLs.

7. A review of the NSP and the CDC model for local development should take place once the NSP Impact Evaluation is available, critically assessing achievements against political-social, mobilization and livelihoods objectives, but also look at Lessons Learned from similar programs in the region regarding sustainability, learning dynamism, etc.

8. With the expected doubling in ARTF disbursements; likely increased risk and uncertainty in implementation; move to more management intensive activities (sub-national implementation, capacity development, better quality performance tracking and reporting, etc), the World Bank as ARTF administrator needs to find solutions to the need for more management and technical capacity.
2 Introduction and Methodology

Since the Afghanistan Reconstruction Trust Fund (ARTF) was established in 2002, it has been a key channel for on-budget funding for the country’s reconstruction and development efforts. As of 20 June 2012, the donor community had paid in or committed over USD 6.1 billion through the ARTF (Administrator’s report as of 20 June 2012, table 5).

The Government of the Islamic Republic of Afghanistan (GIRoA) sees the country entering a phase of transition where the reduction in the international military presence takes place as the Afghan authorities assume responsibility for security and development (GIRoA: Supporting Self-Reliance in Afghanistan, May 2012). One expected consequence of this is a reduction in the flows of international assistance, but at the same time a likely increase in the use of country systems (World Bank “Transition in Afghanistan”). This would be in line with the commitments made at the Kabul Conference held in July 2010, where the Government asked that at least 50% of donor funding be on-budget and 80% be aligned with the country’s National Priority Programs (NPPs) within two years. These principles were reiterated in the Tokyo Mutual Accountability Framework approved at the Tokyo Conference on Afghanistan on 8 July 2012 (The Tokyo Declaration).

The ARTF is expected to be an important vehicle for donors to channel funding to the country during the coming transition period. Since the ARTF provides on-budget financing, it will be a strategic mechanism for meeting the Kabul Conference and Tokyo Framework commitments on donor coherence and use of country systems.

Scanteam was contracted by the World Bank, on behalf of the ARTF donors, to carry out a review of the fund. The overall objective, according to the Terms of Reference, was “to assess the strategic positioning of the ARTF in the context of the changing needs that the Afghan transition implies.... The review will consider how ARTF operations, management, and resourcing should evolve over the period to ensure it has the capacity to be a main conduit for international on-budget assistance to the Afghan government” (see Annex A for the full TOR). The review was thus primarily to be forward-looking but also to include a stocktaking exercise, taking into account the findings of past and more current reviews.

The review is thus structured in two major sections: the stocktaking exercise, looking at what has been the role and impact of the ARTF in Afghanistan during its first ten years of existence, and then look at what the implications of the Afghan transition are for the ARTF and the extent to which the Fund is appropriately set-up to meet these needs.

2.1 Methodology

The review has been based on three key sources of information:

- **Documents**: results reports on key activities of the ARTF during the last ten years; external reviews and evaluations of ARTF activities, either with the ARTF as the focus area, or ARTF funded activities as part of a larger universe of activities; reviews of thematic areas of relevance to understanding the ARTF; and forward-looking studies of relevance to understanding ARTF’s possible role/s in the future (see Annex C for a complete list of documents consulted).
• **Informant interviews:** During the period 26 May through 8 June, two Scanteam consultants visited Kabul to carry out interviews with government officials, donor representatives, World Bank staff and representatives of other stakeholders (see Annex B for a complete list of persons spoken with).

• **Stakeholder feed-back on key deliverables:** This review was to provide two main deliverables: a first feed-back in the form of a presentation to the ARTF Strategy Group on initial findings, conclusions and recommendations, and a written report. The presentation to the Strategy Group was done on Monday 25 June, based on a series of PowerPoint slides, in order to provide inputs in time for the Tokyo Conference on Afghanistan on 8 July. During this meeting, those present provided their comments and views as an input to Scanteam’s further work on the material. The draft report itself was then finalized and sent to Strategy Group members, and their written feed-back will be used for finalizing the report.
3 Stocktaking Review

Ten years of support to national authorities: As of 20 June 2012, the 32 donors to the ARTF had paid in or committed over USD 6.1 billion (Administrator’s report as of 20 June 2012, table 5). The funding has partly been to cover recurrent expenditures – primarily salaries of health personnel and teachers – through the recurrent window, and partly to fund projects through the investment window. The projects have been primarily in the fields of rural development, infrastructure, capacity development, education and health.

3.1 Disbursements

ARTF disbursements grew steadily first five years then leveled off: During the first full year of ARTF funding (SY 1382), USD 247 million was disbursed, largely through the recurrent window. Disbursements rose during the following four years to just over USD 500 million in SY 1386, and has remained around this level during the last five years (see figure 3.1).

Fig 3.1: Total disbursements by window, USD mill/solar year

Recurrent Window expenditures increased but relative importance has fallen: The recurrent window grew quickly from less than USD 60 million in SY 1381 to USD 214 million the year after, and then climbed slowly to USD 300 million in SY 1386. It has fluctuated around this level since then, with the agreement that as of SY 1388 this budget support would decrease by USD 25 million/year. Instead the Incentive Program (IP) would provide an additional USD 70 million as of SY 1389, where this funding would be linked to improvements in public sector reform processes. This funding was not repeated in SY 1390 as the massive fraud detected in Kabul Bank among other things led the IMF to put its program on hold thus also preventing IP disbursements. The quite energetic debate that took place due to this decision has led ARTF partners to agree on clearer guidelines for IP financing (see later). During this period the investment window has been increasing steadily in relative importance, and in SY 1388 it represented a larger share of total ARTF financing, and in SY 1390 was over 63% of total disbursements (the sudden increase in recurrent expenditures in SY 1389 due to the IP broke the trendline that particular year - see figure 3.2).
**Fig 3.2: Relative share of ARTF disbursements by window by solar year**

Source: ARTF Annual Report SY 1390, table 7.

**Investment window has increased continuously in terms of disbursements:** From less than USD 5 million in SY 1381, the investment window has increased disbursements to over USD 300 million in SY 1390. The overall growth includes substantial sectoral shifts, however. Rural development activities have remained the dominant part of the investment window, while microfinance – which was the second largest program till SY1386/87 – has now been phased out. The “dip” in investment window financing in SY 1389 was due to NSP II ending and NSP III only slowly starting up (see figure 3.3).

**Fig 3.3: Distribution of investment funding by main category, USD mill/solar year**

Source: ARTF Annual Report SY 1390, table 7.

**Rural development projects dominate investment expenditures:** Within the investment window, by far the most funding has gone to rural development activities: the National Solidarity Program (NSP) and the National Emergency Rural Access Program (NERAP) and
its predecessor NEEP (National Emergency Employment Program). These activities have received between 55% and in one year nearly 73% of total investment window funding (SY 1389 being the exception with only 41%). Over the ten-year period, this sector has received over 58% of total investment window disbursements (see figure 3.4). It should be noted that this picture would be somewhat different if NSP expenditures were broken down by sector, as a significant share of these have been for social sector infrastructure.

**Fig 3.4: Distribution of investment funding by main category, share in percent/solar year**

![Distribution of investment funding by main category](source: ARTF Annual Report SY 1390, table 7.)

**Three sectors have received 10-11% of funding but with different disbursement profiles:**

- **Education** is the second-largest sector in terms of ARTF investment window funding. While most of the USD 174 million so far disbursed (nearly 11% of the investment funding) has gone to the EQUIP program and thus largely primary education, technical-vocational training and higher education projects have more recently been added. Funding for education can thus be seen as moving in the direction of an education sector program, with the projects in fact cutting across three ministries.

- **Infrastructure** projects make up 10% of the investment funding. The funds have been spread across nearly a dozen projects, most of these in the power sector or urban water and roads. Total sector funding has remained at a fairly constant but quite low level throughout the period. While a number of the projects have represented topping-up funding to IDA grants, an observation made in the 2008 review remains valid: while the projects may be important *per se*, they do not represent a very coherent approach to addressing the country’s challenges, nor is there much in the way of strategic linkages with other actors/funding agencies to ensure impact and sustainability.

- **Microfinance** was an early growth ‘supporter’, and has in the aggregate received just over 10% of ARTF investment funding. It has been phased out as donors see the area as capable of sustaining itself without further ARTF support.
Other sectors less important in funding but potentially strategic:

- **Capacity building** projects have previously suffered from the same problem as the infrastructure sector: a number of different projects that have been important at the time but with insufficient linkages to larger reform and investment activities to have much of an impact. This is intended to be addressed through the recently approved *Capacity Building for Results* (CBR) project coupled with an increased emphasis on strengthening public finance management (PFM) through project activities.

- **Agricultural growth and development** support has started up but even during the last couple of years receives only around 6.5% of investment funding. Several of the projects are still in the pilot phase, though the intention is to expand substantially in the years to come. Since funding the micro-finance terminated, this is in fact the only ARTF financing for economic growth and development.

- **Health sector** funding is recent but is expected to expand, where focus so far has been on the Strengthening Health Activities for the Rural Poor (SHARP) project.

### 3.2 The ARTF Investment Window Profile

*Strong donor support, local leadership and good planning created early ‘winners’:*

The projects that have received large-scale funding – rural development (NSP/NRAP) and EQUIP – combined strong donor funding and political support with ability of the responsible ministries (Ministry of Rural Rehabilitation and Development, MRRD, and Ministry of Education, MoE) to plan, implement, monitor and report on activities (delivery in terms of results is discussed below). Microfinance also benefited from strong donor commitment/belief in the program and with local enthusiasts able to move the program along. With a strong need in the early days to show ability to disburse and implement, good planning and the ability to mobilize for implementation was important. An important contributor was IDA-funded studies that provided information and insights needed for the development of new policies and approaches in a number of these sectors: the recent evaluation of the World Bank’s program notes that the more than USD 30 million spent on over 100 studies contributed major value-added (Independent Evaluation Group 2012).

*Infrastructure, agricultural development lack local champions:*

While Afghanistan’s future hinges on successful investments in key economic sectors and improved infrastructure to power growth and reduce transaction costs, there has been a notable lack of strong leaders/implementers to move such programs along. This includes critical political interventions such as ensuring supportive framework conditions for private actors. The one success story is the telecommunications sector, where private sector actors have ensured rapid growth in cell phone markets, where ARTF funded a small project but which cannot be seen to have played any particular role.

*ARTF as coordinating, spokes-body for donor views:*

Early GIRoA support for the rural programs (NSP, NEEP/NERAP) was key to ensuring large-scale and early funding. But strong donor support has been important for the continued high levels of financing for the NSP. The Ministry of Finance (MoF), which represents the GIRoA in the ARTF, has asked that some of the NSP funding be shifted towards other rural programs. Donors have so far strongly supported NSP, so on this issue the ARTF has served as an arena that facilitated
coordination of donor concerns, making the MoF step back on this issue for the time being. Yet the ARTF will also be there as the location for future discussions as NSP performance data come on the table and the parties then may wish to discuss various scenarios.

**ARTF as key funding source for IDA programs expands Bank engagement, voice:** The large and visible ARTF financing has given the Bank’s Country Director (CD) as ARTF Administrator an important additional hat. While the role as Administrator is taken seriously, the virtually seamless programming ⇐ funding linkages between IDA and the ARTF means the CD carries a lot of additional weight in any policy or funding discussion. This umbilical cord IDA ⇐ ARTF provides key benefits to the ARTF but is also a source of concern among some donors, as some Bank project staff are seen not to distinguish clearly between the two funding sources. This is seen as problematic in terms of accountability to the governing bodies of the ARTF (see later).

**Deteriorating security situation posing spatial distributional challenges:** The increasingly difficult security situation has influenced the geographic delivery profile of ARTF: less can be done in conflict-affected regions. However, the more peaceful regions are in fact the poorer ones, so this justifies more funding to these parts of the country. At the same time, data show that off-budget funding from Provincial Reconstruction Teams (PRTs) have more than compensated for the inability of ARTF and other actors to fund conflict-regions. Overall the figures show that there has been a funding bias on a per capita basis in favor of conflict-affected – and thus simultaneously wealthier – regions. This has opened a debate on the criteria for allocating funds, a discussion that will undoubtedly become more contentious also within the ARTF as it becomes a relatively more important source of external financing.

**Increasing GIRoA voice, engagement key to ARTF legitimacy:** The stronger role and voice of the MoF in the ARTF Steering Committee (SC) and Management Committee (MC) has given the Government a better understanding, more say and visibility in ARTF, thus providing critical GIRoA ownership/leadership to the donor community. This has been important for the continued political and financial support provided by the donor community.

### 3.3 Results Delivery, Monitoring and Reporting

**ARTF performance and impact:** The following presents findings on ARTF performance in the fields of rural development and access; social sector service delivery; capacity development; and recurrent cost financing. This does not cover the entire ARTF portfolio, but is meant to cover key areas of ARTF support, as laid out in the TOR. More information is provided in four annexes to this report (Annex D: NSP – Annex E: NERAP – Annex F: EQUIP/education sector – Annex G: SHARP/health sector).

**ARTF strengthening results reporting:** At the time of the establishment of the ARTF, the World Bank as ARTF administrator contracted a Monitoring Agent (MA) to quality assure and verify the expenditures that were to be refunded to GIRoA under the recurrent cost window. The MA was first tasked to work within the MoF, and later on supported the rollout of the Afghanistan Financial Management Information System (AFMIS) to the line ministries and subsequently down to province level (mustoufats). In 2011 a new MA was contracted that was willing to carry out more province-level visitations and controls, to strengthen the ability to track expenditures at this sub-national level. At about the same time, a separate contract for a Supervisory Agent (SA) was entered into, to carry out
verification visits to activities funded under the NSP, NERAP and EQUIP programs. The first quarterly report was provided at the end of 2011 and the first-year pilot period came to an end in September 2012, at which point a further two-year monitoring program has been agreed to. The second round of impact evaluations of the NSP will be presented at the end of 2012, a similar program is being initiated of the NERAP, and external assessments of the SHARP program in the health sector is on-going. These contracts have been awarded to international actors with solid quality assurance records: PWC Netherlands as first MA; International Relief and Development (IRD), a large US-based NGO, as SA; Harvard University is lead on the NSP study and Johns Hopkins University in the health sector.

**National Solidarity Program (NSP), flagship program of ARTF:** The NSP has funded activities in 361 of the country’s 398 districts. By mid-2012, it has contacted nearly 30,000 communities and supported Community Development Council (CDC) elections in more than 27,200. 97% of these CDCs had formulated Community Development Programs (CDPs). NSP has financed over 50,000 CDP projects, and while total NSP funding is reaching USD 1.2 billion, ARTF disbursements through SY 1390 have been about USD 840 million.

- **Results reporting:** NSP results data are generated through a number of different activities: (i) The **NSP monitoring system** generates continuous data on activities and first-level results, which are published on its web-site [www.nspafghanistan.org](http://www.nspafghanistan.org). (ii) The Supervisory Agent as of end 2011 provides technical verification data from on-site inspections with photographic documentation and GIS-based reporting. Its second quarterly report was based on 135 inspections in 18 provinces (IRD March 2012) whereas by end June 2012 inspections were to have been carried out in all 34 provinces, (iii) a series of rigorous **impact evaluations** using randomized control trials (RTC) established a baseline and subsequently documented results produced over time. The first results were presented in July 2010, by which time CDCs were operational but before many projects had been completed so the study looked largely at activities and some early results only. Results from the second survey are to be available during the fall of 2012 while the third survey is to be carried out 2013–15.

- **Supervisory Agent reporting: infrastructure projects deliver but pose sustainability challenges:** The SA is to verify that the small-scale infrastructure investments are delivered as planned. Overall the quarterly reports point to satisfactory results, but where more complex projects undertaken by the villagers themselves have sometimes failed due to lack of experience and skills. There are also concerns with the quality of some contractors, but the larger problem may be maintenance. The development/socio-economic impacts are not part of the surveys and thus not looked at.

- **Impact evaluation with tentative development findings:** The first impact study notes that the NSP is succeeding in increasing villagers’ access to services and has a positive effect on villagers perceptions of well-being. Since few projects had been finalized there were no data on changes in economic welfare such as levels of household income or consumption. In terms of the different kinds of projects, communities were positive about micro-hydro plants, solar panel distribution, pathway construction, community centers and water well projects. While these projects are seen as the most successful, NSP has no maintenance component, so the question is if communities will be able to develop burden-sharing mechanisms to fund repairs – a big challenge in community infrastructure projects everywhere.
• **Early gender results reporting fragile but now improving:** NSP has led to increased engagement by women, and in some places roles of women have improved, with men being more open to female participation in local governance, though only 4% of CDC officials are female. NSP has increased the availability of support groups for women, and finally established a gender unit and Gender Oversight Committee in April 2011. As one recent bilateral evaluation noted regarding the first two phases of the NSP: “Until April 2011 there was no gender unit or focal point in the NSP structure and there is no link established between the policy and technical work on improving gender equality in MoWA and NSP in MRRD” (Ecorys 2012, p. 55, on Norwegian cooperation with Afghanistan). A recent CIDA-funded study is more positive, and recent NSP reporting provides more and better gender-disaggregated data (see Annex D for details).

• **Governance changes weak but in the right direction:** NSP is inducing changes in village governance by creating elected and functional village councils and in a number of cases transferring some authority from tribal elders to CDCs. But there is also recognition that many of the CDCs largely represent traditional leaders, though overall the electoral processes and the legitimacy of the CDCs appear positive. One issue looked at was whether CDCs have any impact on community solidarity and trust, among other things to address disputes, and the answer so far is that they do not. Since conflict mitigation obviously is a key concern, this finding is unfortunate though not surprising: traditional mechanisms and authority figures are still the mainstay of local society (Beath et. al., 2011).

• **Impact evaluation limited to relatively safe regions of the country:** Safety considerations of the research team ruled out independent verification of impact in severely conflict-affected districts and provinces, especially in parts of the South and East. The study has thus not been able to reach some of the areas considered to be the socially more conservative in the country, so the findings on governance and gender may be more positive than found elsewhere.

**The National Emergency Rural Access Project (NERAP)** is to enable rural population year-round access to basic services and facilities through rehabilitation and maintenance of rural access roads: (i) Improvement of Secondary Roads, implemented by the Ministry of Public Works (MPW); (ii) improvement of tertiary roads and (iii) Institutional strengthening, project management and program development, the latter two implemented by the MRRD.

• **Only 50% of intended works have been realized:** A total of 630 km of secondary roads and 626 km of tertiary roads have been rehabilitated/constructed, less than 50% of the targets. Routine maintenance systems have been set up, however, and the first phase pilot projects have been contracted to communities. Around 4.7 million labor days of employment have been created, equivalent to three months of work for over 52,000 people. Disagreements between implementation partners (UNOPS and contractors) adversely affected project completion, and delays led to increasing costs. There is so far little systematic knowledge about changes to travel times, travel intensities, social infrastructure/market use/access, and willingness/ability to pay for road maintenance – a future challenge. The Supervisory Agent noted the need for increased community
involvement particularly in project monitoring in order to reduce corruption through improving stakeholder awareness and giving them the tools to address contractor performance.

- **Bank and GIRoA differed on policy issues for rural roads**, such as appropriate width and surfacing. These are major concerns for a country with a broad range of geological and climatic conditions. The issues were raised in a policy paper on rural access five years ago, but never led to an agreed policy. This lack of a rural roads policy is also reflected in the inadequate arrangements for maintenance of rural roads, which may become a challenge to the sustainability of rural roads.

**Education with rapid gains in access and gender balance but little reporting on Outcomes:**
The recurrent window has since the ARTF was established funded (timely) payment of salaries to teachers across the country. Along with the Education Quality Improvement Program (EQUIP), where ARTF has been a major funding partner, this has contributed to one of the major successes of the government: the rapid expansion of the education system over the last ten years. Gross enrolment in primary school increased from 4.9 million pupils in SY 1384 to 8 million six years later. The percentage of girls increased to 40% while the percentage of female teachers rose from 26% in SY1385 to 30% in SY1389. The number of teacher training colleges has increased from four to 42 with an additional 137 distance learning centers, a total of 190,000 teachers enrolled in training, 31% of whom are female (the most important employment alternative for girls finishing secondary education). MoE has an Education Management Information System (EMIS) that is a comprehensive database, covering enrolment and dropout rates by grade to retention and graduation by gender, but this has so far not been used for ARTF reporting (see [www.emis.af](http://www.emis.af)). Little is thus so far documented about the quality of education, progression/drop-out rates including regional/gender differences in performance, functional literacy levels, etc. The MoE intends to carry out a pilot learning assessment in several provinces by the end of 2012 with the intention of doing nation-wide surveys once the sector is seen to have reached greater maturity. Comparisons can then be done across provinces and against regional benchmarks.

**ARTF recurrent cost and SHARP funding contributed to important health sector results:**
The recurrent funding of health workers’ salaries has been key to the continued functioning and development of the country’s primary-level health care services. Functioning health facilities increased from 496 in 2002 to more than 2,000 in 2011. Trained and accredited midwives increased from 467 in 2003 to over 2,000 in 2011 while the share of facilities with a skilled female health worker increased from 25% to 72%. The Ministry of Public Health (MoPH) chose an innovative approach to delivering the Basic Package of Health Services (BPHS), however, by outsourcing the actual delivery through Performance-based Partnership Agreements, largely with NGOs. This approach, which is different from education where all

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1 For the follow-on project to NERAP, the ARAP project just approved in July 2012, community-based monitoring is introduced. In the second phase of the Supervisory Agent’s contract that starts up in the fall of 2012 there will also be community-based monitoring of the Irrigation Rehabilitation and Development project.

2 According to the Bank’s education team, a public expenditure tracking survey (PETS) was conducted in 2005 and again in February 2011, covering staff salaries, use of O&M budgets, construction, distribution of textbooks that showed positive trends. Unit costs are captured as they relate to both infrastructure and teacher training.
teachers are civil servants, has increased outreach capacities dramatically. This contracting is currently being assessed against performance expectations, using a Balanced Score Card to assess achievements. A number of very positive health Outcomes have been recorded, where infant mortality rates dropped by 22% from 2002 to 2009; under-5 mortality fell 26%, and maternal mortality rates brought down to 350 per 100,000 live births. While the baseline data especially for maternal mortality figures are questioned, other Outcome data are based on careful data collection, providing as solid an empirical basis as can be expected in a country like Afghanistan. Like in education, the gender disaggregation of the data is notable.

**Capacity Development for improved public sector performance with unclear results:** ARTF has contributed to strengthening public sector management in general and public finance management (PFM) in particular. The PFM work has been through the work of the Monitoring Agent in the MoF, but recently also with project assistance, though other donors are also funding large-scale support to the MoF. ARTF has previously funded a number of general capacity development projects related to attracting, training and retaining senior staff in key ministries. An important component of (re)building the civil service quickly has been to bring in some 7,000 skilled Afghans, many who returned from abroad, to assume key functions in the central administration and more recently also at sub-national level but at much higher salary levels paid by donors. This “second civil service” has enabled the development and implementation of new structures, policies, procedures, controls and a more consistent “corporate culture” for ensuring continued application of the new instruments such as in PFM. However, these donor-funded posts create an uncertainty regarding continuation and sustainability of the good performance, particularly in light of the likely future reduction in donor funding available. Furthermore, while results are claimed to be positive in enhancing the capacity of MoF and key line ministries such as MRRD, MoE and MoPH, the effects on other ministries and on sub-national level is considered very limited. Furthermore, limited oversight and control capacity and little willingness to exercise these powers by the legislature, the judiciary and internal control bodies like supreme audit institution has led to chronic accountability weaknesses, which is seen as a major reason why the country is not making progress in reducing corruption.

**CBR: A new approach for sustainable capacity development?** Capacity Building for Results (CBR) is a five-year USD 350 million program approved towards the end of 2011 aiming to improve capacity and performance in select line ministries, with emphasis on strengthened budget execution and service delivery at central and sub-national levels. Designed as a demand-driven program, ministries must demonstrate up-front ownership and commitment and provide a credible, costed and prioritized capacity building program with monitorable results. A key objective is to integrate “the second civil service” through a gradual wage approximation process where their current wage levels will decrease to national labor-market levels. The Incentive Program (IP) is to complement this by providing sufficient funding and incentives for the authorities to undertake the necessary but difficult reforms. The intention is that ministries will have all staff on an ordinary payroll by 2014 (this

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3 This has been an issue because the various projects have different approaches and pay levels. This was a key reason the 2008 ARTF review suggested that the ARTF become the vehicle of choice for funding technical assistance to the MoF, to ensure coordination, coherence and overall rationality in support and funding.
transition to more sustainable salary levels will pose challenges also to key ARTF programs, such as NSP where the Facilitating Partners that provide the key link between MRRD and CDCs have donor-funded salaries, as to a large extent have NGOs with MoPH performance contracts. While the CBR is so recent that it has not produced results yet, the IP is credited with supporting a number of structural and capacity reforms, so far primarily in the field of PFM, as reflected in the Public Expenditure and Financial Accountability studies.

3.4 ARTF Efficiency and Effectiveness

Transaction costs through the ARTF remain low: The costs of doing business in conflict zones are necessarily high. Since ARTF channels resources through the government system, security costs are low compared with a number of bilateral programs in the same fields. Because of large-scale funding, the ARTF creates economies of scale in the supervision by the MA and SA. While unit costs of implementation of NSP are high, this is a very dispersed program across a country with poor infrastructure, and donor-by-donor programming is likely to have been costlier, especially if realistic donor own-management costs are factored in (which donors normally tend to overlook). The 2% overhead to the Bank as Administrator is low given the conflict-context though some of the quality assurance functions are funded through the MA/SA contracts. The scale and rapid increase in contributions for 2012 means the Administrator may see a doubling of overhead income from 2011 to 2012, allowing the overhead percentage to stay low. The mission was asked to make comparisons to the costs of doing direct bilateral execution but unfortunately no such figures were provided. The consensus comment was that ARTF was considered best-in-class as a fund manager since fiduciary standards and technical advice are seen as good, though results tracking and reporting need to be improved, as noted above.

The IDA ⇨ ARTF link generates value-added to the portfolio: The Bank has carried out over 100 Analytical and Advisory Activities (“AAA”), generating data, information and proposals relevant to ARTF projects or to the ARTF as a fund. IDA has furthermore piloted activities that later have received ARTF funding, thus absorbing the learning/risk costs of starting up new activities in a high-risk environment, which has also benefited the ARTF.

Information costs are low but information could be better: The ARTF remains “best in class” when it comes to information sharing/dissemination through its web-site. The new and updated web-site is easier to navigate, better structured and more informative. Documents like Implementation Status Reports (ISRs) on projects provide data donors sometimes are looking for – but one has to know where to look, as opening an ISR is five “clicks” down from the World Bank’s Afghanistan home-page. There is, however, little processed and ready-to-use information available for donors and other actors to cut-and-paste for home constituencies and other “second-hand” users of information. For these purposes the web-site represents information overload that sometimes is also difficult to navigate.

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4 The project overheads are a different matter, where in particular the 25-30% costs of the Facilitating Partners on the NSP have raised questions. Since this overhead is independent of funding source – ARTF or direct bilateral funding – it is not being considered here.
**ARTF at a Cross-Roads: History and the Future**

**ARTF provides full transparency while accountability varies:** The web-site provides minutes from SC and MC meetings. It presents monthly reports that provide financial status, contributions, overview of donor preferring, disbursements and forward commitments. There is also considerable information on the individual projects. This transparency is key to continued donor support for pooling. Accountability regarding funding decisions and results reporting is more problematic, where for example GIRoA feels that donors have pushed excessive funding of the NSP. ARTF’s new Financing Strategy and its dialogue process provides both a better platform for agreeing priorities and criteria but also a mechanism for sorting out disagreements. The Strategy process was time demanding since the ARTF, as a pooling mechanism, is a consensus body and thus issues need to be negotiated. A similar challenge arose over the Kabul Bank crisis, where opposing views on the role ARTF ought to play when it comes to holding national authorities accountable created frictions. But ARTF as a mechanism for addressing diverging views is functioning well, where the Strategy Group further facilitates such discussions. When projects do not deliver as per some actors’ expectations, however, accountability is seen as an issue because project managers (Bank task team leaders, TTLs) formally answer to World Bank management only, not to the ARTF as such. For the donors, the ARTF is a separate body with own decisions owned by a different stakeholder configuration than Washington-managed IDA. ARTF funded projects should thus respond to the concerns and issues behind the donor funding for the various activities.

**ARTF versus PRT:** Provincial Reconstruction Team (PRT) funding has been lauded for being fast, targeted, addressing local needs and provided with minimal bureaucracy. However, funding has been off budget, largely un-recorded, normally un-planned with any central authority, generally not linked with national priority-setting and based on differing criteria across PRTs (principles for funding can be determined by the PRT lead country or by the PRT commander in province, for example). Quick turn-over of local PRT forces has often meant limited institutional memory and thus discontinuities in programming and relations. Rapid delivery in order to address counter-insurgency objectives of visibility and building local relations has often allowed efficiency concerns to dominate effectiveness issues. The resultant asset creation and (unsustainable) necessary local recurrent cost funding for operations and maintenance means the legacy of PRT financing is creating major challenges for future public finances and politics (see below). ARTF as an on-budget mechanism largely owned by MoF has avoided this unrestrained expenditure problem.

**Incomplete socio-economic valuations:** Bank operations are guided by Afghanistan being a conflict-country. The Bank produces Interim Strategy Notes (ISN) rather than longer-term Country Assistance Strategies (CAS). Projects are prepared under Operational Policy 8 (OP

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5 Some donors have pointed out that the MoF does not represent the only GIRoA view on this issue, but it is the MoF that has been mandated to represent GIRoA in the ARTF so that needs to be respected.

6 Bank staff, when discussing this issue, note that they spend a lot of time addressing donor concerns, but that donors (i) often want answers to questions that are not necessarily key to the project but are of interest to the individual donor, (ii) come suddenly with a request because they have to prepare a report that urgently needs to go to some head office, (iii) do not coordinate amongst themselves for such requests nor give Bank staff possibilities for preparing and addressing such issues in a more planned manner.
“Rapid Response to Crises and Emergencies”, which allows for simpler and faster project preparations. Both ensure that the Bank is as flexible and responsive as possible. But OP 8 means, among other things, that projects do not have to undertake standard socio-economic assessments (cost-benefit or expected rates of returns analyses – what some donors loosely refer to as “value for money” concerns). Given that many ARTF projects are long-term and multi-phase, this lack of more rigorous project planning is a weakness.

**Unit costs for standard deliverables not easily available:** While unit costs for key deliverables – km of rural roads, rural health clinic, classrooms, key services (student costs, etc) – can be derived from project/ministry data, these are not easily available. While some physical standards exist (designs for EQUIP class-rooms by region, building materials available etc), it would also be helpful to have publicly available unit costs for typical Outputs being produced in order to facilitate bench-marking or productivity tracking. Such unit costs would also allow for more decentralized and even community-driven cost monitoring, among other things strengthening possibilities for local corruption tracking. Bilateral donors have also not provided cost data on projects directly implemented/funded that might provide comparators. One well-placed government informant claimed unit costs for the national Ring Road were 5-6 times higher than comparable construction in neighboring countries, which points to the importance of producing unit cost data.

**Performance Assessment Matrix tracks key macro parameters:** The Performance Assessment Matrix (PAM) tracks 14 indicators across four dimensions agreed by GIROA and donors as proxies for tracking the results of ARTF budget support (recurrent window). While attribution is always an issue, the legitimacy of claiming a link here is considerable since the Bank/ARTF in addition to being the major budget support donor is also heavily engaged on the policy development and implementation sides through complementary projects. The PAM is thus a simple yet relevant tracking tool for GIROA performance along dimensions key to ARTF support and objectives.

**Performance tracking of investment window results variable, lacking:** Project results can be tracked several ways: (i) *direct deliverables* (Outputs), which is being done on a comprehensive and continuous basis today, (ii) verification of these Outputs, which has recently started up with the Supervisory Agent on a specified (limited) number of projects, which provides qualitative assessments of value/performance of projects, (iii) follow the *results chain* further out, to Outcome and Impact. This is only beginning, despite long-term engagement and considerable funding in a number of fields. NSP is so far the only project generating rigorous impact assessments, though others are now starting (NERAP, SHARP) (iv) simple compilation of project results into one comprehensive matrix has recently been produced by ARTF (reactions are mixed as matrix is comprehensive and thus not easy to summarize, but provides a wealth of data in one place), (v) aggregation of a few key parameters across projects: women’s situation, employment, simple production values, which is not being done today, (vi) in-depth understanding of how results are being applied and experienced (i.e., community-level studies to identify both real and perceived changes to women’s situation, possible/probable long-term shifts, etc), (vii) rigorous ex post rates-of-return analyses, to verify project results, challenge assumptions and adjust parameters for future projects. Within this performance universe only a few are currently being applied.
3.5 ARTF Governance

Reformed governance structure seen as appropriate: There is general agreement among donors, GIRoA and the World Bank that the existing governance structure functions well. The establishment of the Strategy Group (SG) and Incentive Program Working Group (IPWG) as supplements to the formal MC/SC structure is seen as very helpful. There were, however, observations regarding how some of these could function better:

- **More effective Steering Committee:** The active participation by MoF at the SC was a major strengthening of the SC and ARTF. But some donors want the SC to play a more independent role, as some felt they were largely rubber-stamping MC/World Bank decisions. One request was for documents to be circulated well in advance of the meetings for better preparations. The agenda should also be more strategic with regards to priority setting, especially in light of the challenges foreseen in the Transition phase, and on results reporting.

- **Strategy Group more policy oriented:** Several donors suggested that the SG should become more strategic in its focus, where the Bank in particular but also other actors should prepare substantive policy papers for open debate, such as for sector strategy discussions and periodic reviews of the Financing Strategy.

- **Incentive Program group resolving issues:** The withholding of the USD 70 million Incentive Program last fiscal year as well as the one-year time horizon for IP programming was criticized by GIRoA as creating uncertainty both in terms of criteria for allocations and predictability of funding. The ARTF partners therefore reformed the IP into a three-year rolling program with medium-term objectives and clearer disbursement criteria, ensuring clearer and more realistic performance targets, increased funding reliability, and gradated response to non-performance.

- **ARTF Secretariat efficient and service-oriented:** The ARTF Bank staff, current and former, are given high praise for efficiency and effectiveness both in preparing/following up ARTF scheduled events (meetings) and projects/activities. They are seen as service-oriented and taking donor and GIRoA concerns seriously, and act as a very good entry point to other Bank offices/staff. For their part, ARTF Secretariat staff see the task as challenging but extremely interesting: the donor community can be quite diverse in expectations and priorities, in part as a function of how important Afghanistan is in their global portfolio. On the government side, MoF provides a clear strategy partner while line ministries represent differing capacities so performance tracking/dialogue is variable, though trending towards improvements. ARTF Secretariat staffing is basically limited to one professional and some support staff, though Bank managers are also highly engaged.

- **Whose fund?** A recurring theme in Multi-Donor Trust Funds (MDTFs) is the relative influence of the different parties. Some donors felt the MoF was becoming too dominant, in part because the World Bank seemed often to side with it. MoF, on the other hand, sees GIRoA as being unduly pressured on funding issues: when it asks for funding to new NPPs, it experiences donors demanding “bankable” ready-to-roll-out projects. When MoF points to uncertain/low rates of return on NSP, it feels this is not taken seriously by the donors. But when the CBR with a USD 350 million budget was
presented, the MoF felt the donors accepted this almost without documentation or discussion. This feeling of donors applying different standards for funding decisions was exacerbated by the debate on MoF’s proposal for allocating USD 70 million for province-level programs, which was rejected in the first instance. – The team realizes there are other factors in each of these cases that makes the picture more complex. The point is not that there are issues where parties disagree but rather that the ARTF needs to have a discussion on how to address potentially problematic perceptions since this can lead to unnecessary misunderstandings, as has happened in some MDTFs. – At the end of the day, the intended process for MDTFs is towards more government ownership and leadership, in line with the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008) and the Busan Partnership (2011). If donors feel the MoF is becoming more active and dominant, that should perhaps be seen as a sign that the ARTF is moving in the right direction!

3.6 Follow-up to 2008 Review Recommendations

**The 2008 external evaluation recommendations:** The 2008 external review made a total of 28 recommendations. The current review was asked to report on the extent to which these were approved and implemented in the subsequent four-year period.

**Moving the ARTF from “reconstruction” to “development” (Recommendations #1-2):** The most significant recommendation was for the ARTF to move from being a “reconstruction” to a “development” fund – that the ARTF should become “ADTF”. The proposal was that ARTF would merge its two funding windows into one integrated disbursement vehicle, and that funding would be around sector programs rather than individual projects. As a follow-up, DFID and the Bank commissioned a study of the “readiness” of four major sectors with regards to moving toward Sector-wide Approach (SWAp) (Peter Jensen/DFID 2009). The conclusion of the study was that the health sector was technically the farthest along, but that even there several issues had to be addressed before a full SWAp would be feasible. At a meeting of the Steering Committee on 9 November 2009, one proposal was to move ahead with a pilot, but that one needed to carry out a risk assessment before moving to a more flexible funding modality. However, at the time of this mission in June 2012, the donor-health group led by Canada was still working on preparing for a SWAp. The main conclusion from the discussions in 2009 and the practice later on is that the 2008 proposal was good in principle but premature, largely because GIRoA’s planning and budgeting system and line ministries’ systems and capacities are not sufficiently robust, transparent and operational to budget and disburse donor funds based on these. The preparation of the NPPs, in part in preparation for the 2012 Tokyo Conference, is seen as the right move, but the contents, prioritization and specifics of the various NPPs are still seen as insufficient for more program- and budget-support funding, and the fact that only 16 of the NPPs were ready for Tokyo shows that government is still weak on planning and programming.

**Financing strategy elaborated, priorities only partly followed (#3):** A recommendation that has been implemented is the development of a financing strategy, and where the establishment of the Strategy Group for analyzing and discussing options has been a major contribution. Some of the proposed criteria were followed: priority has been given – as recommended – to poverty reduction and MDG relevant activities and public goods, rather than to private sector funding options and large-scale infrastructure investment; gender
priority has partly been addressed; geographic equity and contribution to conflict reduction/reconciliation has been difficult due to the security problems in South and East; environmental considerations have never been at the centre of ARTF’s attention; a set of vulnerability studies were carried out but more in-depth corruption studies have not been done largely because the Bank argued that the strong emphasis on fiduciary management in the program is seen to have addressed this. The quality assurance and information being provided by the Supervisory Agent does not address the corruption issue directly, but the reports raise concerns of resource mismanagement in some cases, and supports more direct monitoring by beneficiaries.

**Enhanced MoF capacity (#4-8):** The recommendations looked at MoF capacity development. The Financing Strategy coupled with the CBR program to strengthen PFM at national and provincial levels have been the key response along with continued project support. The ARTF has become a channel for predictable funding for MoF capacity development, though some donor projects in the ministry are larger, where MoF officials are concerned since the different projects compete for national counterparts, including with different pay policies. While the MoF is seen as having much stronger capacities and systems in place, it still is vulnerable to the donor funding for continued TA and payment of topping-up salaries that are not transparent and coherent across donors. The idea that the Monitoring Agent could be phased out in favor of a more general quality assurance contract to oversee overall MoF fiduciary standards and in particular strengthen the Internal Audit staff has not been implemented, again because the proposal was seen as premature. Instead, the Monitoring Agent contract has been extended, but with more provincial level monitoring built in.

**Community-based development strengthened (#9-11):** These suggestions addressed what many consider to be ARTF’s most successful program area. Several recommendations have been important by designating such development as a priority for ARTF funding. There was much less predictability e.g. in the NSP at the time of the previous evaluation, with constant funding shortages. According to ARTF staff, the recommendations helped establish consensus among the donors around the Financing Strategy including for NSP III and NERAP. Today, there is little doubt that the ARTF has become “the main channel for predictable funding for community-based development” (recommendation 11). A number of questions raised in the 2008 study remain regarding what the nature of the CDCs should be and thus what the justification for the continued high levels of funding is, though the “Local Governance” NPP provides a clearer Government view on this (see section 4.3).

**Dialogue on PRTs (#12):** Another recommendation was to establish a dialogue with GIRoA and PRTs in order to explore funding options for fast-response community development activities in conflict-affected areas. This led to the elaboration of a strategy document termed “Community Recovery Intensification and Prioritization” (CRIP), to be applied in NSP III. There was much dialogue with the International Security Assistance Force (ISAF), including at the highest level, on the relationship between ARTF and the PRTs, with ISAF asking for ARTF funding for operations and maintenance (O&M) by the PRTs on infrastructure built. The position of ARTF has throughout been that this must be GIRoA-led dialogue with the authorities deciding on such funding issues, and thus the issue has remained at this level, though it has now come up with renewed vigor in connection with the future fiscal picture of the GIRoA budget and ARTF funding (see section 4.2).
Better performance tracking still has a ways to go (§13): The idea of ensuring adequate funding to track performance regarding gender, the environment and conflict consequences as well as livelihood and participation and “make the information available on a continuous and open basis”, has really not been followed up. The Impact Evaluation of NSP is beginning to address this on the most important project, but there is a lack of systematic tracking of these dimensions in other parts of the ARTF funded portfolio. There has been no addressing the lack of conflict tracking and how this may affect the portfolio.

Capacity development and the establishment of CBR (§14-18): Proposals on capacity development, starting with the ARTF as a primary funding vehicle for TA, is in part addressed through the CBR and the underlying study that looked at the issues of labor market distortions. The support to higher education is addressing the labor market supply component to some extent (poor quality and fragmentation of the national university system is a serious challenge), though the larger demand side issue of public sector capacity cannot be addressed till the authorities have a clearer strategy for developing sub-national administrative structures and skills.

No ARTF priority to infrastructure (§19): The 2008 review advised against ARTF focus on infrastructure development because the Fund’s comparative advantages were considered to lie elsewhere. The responsibility for larger infrastructure projects is now in fact largely left to the ADB with the establishment of its Afghanistan Infrastructure Trust Fund (AITF), in a mutual understanding between the two banks.

No follow-up on natural resource revenue management (§20-23): One proposal was that ARTF finance a program for managing economic rent from extractive activities (“addressing the resource curse”) with comprehensive capacity development and the hiring of an external monitoring and quality assurance agent. The significant mining investments by China and India and increasing interest in oil and gas exploration makes this concern more urgent than ever. The NPP on Extractive Industry Excellence and the Government’s commitment at the Tokyo conference in July 2012 to establish a Mining Revenue Fund is a further reason for addressing this issue. The decision within the Bank, however, is that since IDA is engaged while there are no ARTF projects in this field, IDA will assume responsibility for this issue.

Improved performance management and donor engagement still a challenge (§24-28): The 2008 review suggested a fund-wide M&E system based on internal staff supported by local and international knowledge centers. ARTF M&E has been improved, with the engagement of the SA for key parts of the investment window and the launching of the NSP impact evaluation. But donors would like more and better results reporting. The recommendations of increasing ARTF staff with an M&E expert as well as communication expertise were not followed and will be addressed below. The proposal to include donor representatives on the MC was seen as politically complicated, and the alternative of establishing the Strategy Group is seen as a more appropriate response. This has to a large extent increased donor engagement and also an interest in contributing. It was clear during this team’s visit, however, that a number of donors see the ARTF as probably assuming an even larger role as some of them draw down their own presence. The willingness and interest in shouldering a larger share of the technical analyses and quality assurance tasks was notable.
3.7 Findings, Conclusions and Recommendations

- The overall structure and functioning of the ARTF is seen as very good due in part to governance adaptations that have *inter alia* increased GIRoA voice but also due to continued strong commitment by all ARTF partners. It remains the vehicle of choice for pooled funding, with low overhead/transaction costs, excellent transparency and high accountability, and provides a well-functioning arena for policy debate and consensus creation. The close links with IDA provide economies of scale and direct links to high-quality relevant knowledge products (Bank AAA), but raises questions about ARTF funding decisions being too much driven by IDA choices.

- Funding has been heavily towards NSP/rural development, with both donors and GIRoA active supporters, but with critical voices now being raised, especially by the MoF, regarding the volume of future funding for the NSP.

- Several sectors have produced strong *Output* results (PFM, health, education, NSP) but so far only health provides *Outcomes* tracking. This is surprising given the size, spread, importance and longevity of the larger projects. The recently contracted Supervisory Agent is providing valuable data but on engineering aspects of local infrastructure investments. The NSP and NERAP impact evaluations will provide much more solid results data.

- Local leadership that provided vision, positive framework conditions and pushed for delivery and results has been critical to the success stories, as was solid up-front studies/planning and donor support. Shorter-term and smaller interventions coupled with a lack of local “champions” were reasons for the lack of success in other sectors.

- Capacity development remains critical. The CBR project is providing a larger, more coherent and demand-driven approach to the public sector’s needs but is focused on needs at *national* level. A key challenge is bringing more coherence and transparency to the donor community’s funding in this field since donors often fund activities based on short-term efficiency concerns rather than longer-term national effectiveness objectives. The ARTF, for all the reasons laid out in the 2008 report, has a comparative advantage and can provide important value-added in this area by supporting greater coordination, comprehensiveness and consistency of capacity building efforts.

- Governance issues are closely linked with the capacity development concern. While there is an increasing attention to the judicial sector and concerns of “good governance” in terms of fighting corruption, actual results so far have been very limited, and the continued extremely poor rating of Afghanistan on corruption rankings reflects both the serious challenges that Good Governance initiatives are facing, but also pose a serious threat to the credibility and legitimacy of the national authorities in the eyes of its own electorate and its international funding partners.

- The recommendations from the 2008 review have largely been addressed by the ARTF, many of them adopted and implemented, though some issues are pending:
  - *Gender* has become a more visible dimension in some projects, with social sector projects providing more gender-disaggregated reporting. What is missing is a structured approach to defining medium-term objectives in relevant projects and
ARTF as a program; more reporting, analysis and knowledge generation on regional/geographic/sectoral results differences and opportunities for progress. Given likely (regional) challenges to gains already produced over the coming period, more intensive and detailed reporting becomes particularly important.

- **Performance tracking** has improved with the Supervisory Agent, NSP impact assessment etc, but considerable work remains to get a consistent, comprehensive and critical tracking and reporting system in place for ARTF as a program.

- **Managing natural resource rent** has been defined as an IDA and not ARTF issue but the ARTF partners should nonetheless verify that this is happening: “the resource curse” may become a major challenge for all development partners.

**Bottom line:** ARTF remains an efficient and effective channel for on-budget donor funding, supporting GIRoA priorities through a transparent decision making process with a governance structure that has been adapted to increase the role and voice of the national authorities while opening space for more strategic discussions with all partners. The ARTF needs to complement this with a more comprehensive results monitoring system that tracks performance along those dimensions the ARTF partners agree need priority attention. The World Bank, as administrator of the Fund, should in return expect the donor community to be willing to share any further financial burden that may arise due to increased quality assurance responsibilities.

**Recommendations:**

- The ARTF should develop a comprehensive results/M&E strategy, defining which variables on which projects that are to be tracked how far out the results chain how often, focusing on the core dimensions. As part of this strategy:
  - Identify key variables across projects to systematically collect (labor, gender, ….);
  - Fund in-depth and area studies on key issues like gender, security…., to record what are documentable changes in longer-term results: attitudes, behavior, group dynamics;
  - Encourage national/ international knowledge centers to use ARTF results data for more careful studies.
  - Pay particular attention to tracking gains achieved that may face pressures in the time to come (such as gender), and intensify reporting and studies on these issues.

- The ARTF should establish a clearer own identity/visibility with a communications strategy that includes stand-alone web-site with Pashto, Dari versions, information arrangements ensuring in particular a broader dialogue between donor staff and project managers/staff.

- Data important for improved decision making such as unit costs, operations and maintenance ratios (such as standardized O&M costs per km road built) should be generated and made easily available, to enable benchmarking, promote competitive tendering, local monitoring of resource use (anti-corruption), etc.

- The ARTF should consider supporting the development of a realistic capacity development strategy for core parts of the public sector at national, province and district levels that identifies how the ARTF’s CBR and the Incentive Program can best contribute to more sustainable public sector delivery capacities (see also chapter 4).
4 ARTF as Vehicle for Transition and Transformation

Afghanistan’s strategic objectives: In its policy document for the Tokyo Conference of 8 July 2012, “Towards Self-Reliance. Strategic Vision for the Transformation Decade”, the Government lays out its main objectives for the years ahead in two parts:

By 2015 Afghanistan will have taken over full operational responsibility for its own security and will be leading development initiatives to build on foundational investments and good governance that will pave the way to economic growth, fiscal sustainability, and sustainable human development.

By 2025 Afghanistan will have reduced its dependence on international assistance in non-security sectors to levels consistent with other least developed nations. Peace and stability will be consolidated in the country through effective development, improved delivery of Government services and the promotion of fundamental freedoms and human rights (GIRoA 2012 p. 4).

Phasing of objectives but consistent strategy: This phasing of the objectives is based on the important changes that are expected as ISAF formally ends its mission on 31 December 2014. GIRoA thus sees the three years from the end of 2011 till the end of 2014 as a Transition period, and the ten years thereafter as the Transformation Decade. But during the entire 2011-2024 period, the Government intends to pursue its development strategy through the implementation of the Afghanistan National Development Strategy (ANDS) its National Priority Programs (NPPs):

The Government’s economic development strategy is embedded within the NPPs. When the concept was originally conceived in late 2009 they focused exclusively on economic growth and job creation. Subsequently, additional NPPs were developed to address critical social and governance objectives (GIRoA 2011 p.5).

ARTF as a vehicle for GIRoA and donor objectives: The so-called Kabul Process, which was initiated through the London (January 2010) and Kabul (July 2010) Conferences, lays out the transition from a strongly donor-influenced reconstruction period to a more government-led development phase. The ANDS and its subsequent operationalisation in the form of 22 NPPs are thus fundamental instruments to this end. At the time of Tokyo Conference, only 16 of the NPPs were in place (see section 4.3). But the donors acknowledged that they could not continue “business as usual” but needed to respect the key parameters of the Kabul Process (Tokyo Mutual Accountability Framework § 9). These include that within two years 80% of donor funding should be aligned with the NPPs and 50% of donor financing should be through the national budget. At the same time the Conference noted that the ARTF is considered an established and credible mechanism for such aligned and on-budget funding (Tokyo Declaration § 14).

4.1 ARTF and the Transition

Transition as political and not time concept: The Government’s strategy papers provide the two-part time horizon as noted above. The analysis below is instead based on a political scenario approach, where the transition phase is defined by fundamental political-security parameters – the ability to implement activities on the ground – since this is seen as more relevant in addressing the questions the team has been asked to assess.
**Transition as period of uncertainty and likely insecurity:** The assessments of probable consequences of the reduced international military presence vary considerably, from hopes of negotiated agreements between the various forces within and outside government, to a spreading and intensified armed conflict in large parts of the country. Given the trend over the last several years towards heightened armed conflict and decreased ability for development actors to work in parts of the country, the continuation of this trend must be considered one of the realistic alternatives when looking at strategic choices for ARTF action over the coming period. The starting point here is that the Transformation Decade can only become operational when relatively stable, predictable and safe parameters for meaningful action across most of the territory are in place. The intervening period of uncertainty and insecurity – however short or long it may turn out to be – is seen as the Transition Phase. If a negotiated solution is quickly arrived at, the Transition Phase can turn out be a short interlude between the reconstruction phase the country is currently leaving, and the transformation decade the country would like to initiate as soon as possible.

**Transition risks means ARTF should ensure that strategic achievements are not lost:** The increased political-security uncertainties are likely to affect the overall economy – the size and in particular the speed and structure of the growth of GDP. But this will in all likelihood also impact on the public sector’s efficiency and effectiveness, on both resource mobilization and service delivery. More importantly, it will reduce the expected economic rate of return (change the cost-benefit ratios) on both public and private investments. The basic approach recommended here is that the ARTF focuses on defending the strategic gains that have been produced over the last ten years, and decrease risk-taking till key parameters for decision-making and implementation have returned to a level of stability and predictability that ARTF stakeholders are comfortable with. The point is that Afghanistan *has* produced very important results in terms of public sector systems, capacities and physical infrastructure in PFM, health, education, aspects of rural development, situation of women in important parts of the country. But it is known that periods of turmoil may lead to serious erosion of such gains. Defending and maintaining those achievements that are seen as critical may thus be the best use of scarce resources.

**The economic challenge has political ramifications:** As noted by several, the likely economic contraction due to withdrawal of the large-scale military presence will hit the urban middle class the hardest: the rural poor are not well integrated into the monetized economy (and the elites normally have good ways of defending their interests). Economic dissatisfaction in urban areas, especially in the context of what may become an increasingly fragmented national polity, may amplify political volatility and open up for destabilizing events and forces. While it is not ARTF’s role or responsibility to address such issues, it may be smart economics and politics to identify public investments with high pay-off potential in urban areas, something that will be returned to below (see page 31).

**Brain-drain as a destabilizing concern:** One issue concerns the future of the better-paid “second civil service”. These staff may perceive themselves as vulnerable in a more volatile political situation, and one concern is that many may leave. A significant loss of key staff will reduce the government’s capacity to deliver public services that are the linchpin of central authority legitimacy and credibility. The CBR is a key tool the ARTF partners have for addressing this, but a much better factual basis for designing constructive interventions that may mitigate and address a possible weakening of the public sector is needed.
Transition with contraction: reduced political and economic options: A challenge is that decision makers – whether private, public or international – will face a period with more constrained options in both political and economic spheres, and thus a need for tougher priorities and hence difficult choices. The problem is that the political will to make painful choices is likely to be lower since the incentives in a volatile context is to try to appease rather than further exacerbate resource shortages. Authorities may thus face the concomitant problems of less capacity and less political will – a possibility which invites caution on the side of the donor community. The key uncertainty, to this team’s mind, is that the transition phase linked to the reduction in external military presence and financial resources may thus lead to a political transition that may take longer than currently foreseen. The approach here is thus to consider the possibility of the transition phase being longer than expected, with the possibility of a deeper economic “dip” than currently projected. At the same time, the international community should be ready to “bounce back” as soon as conditions permit: while a period of caution may mean fewer new initiatives or expansion of programs, planning and capacity building for approved/future initiatives should continue.

The transition will not be a linear process: The above comments may appear pessimistic, but the transition is likely to be experienced as a set of different processes – linked but not fully interdependent. Some sectors, services and regions may experience the transition period as “business as usual” while in others competition for resources, decision making rights etc may be more disruptive. It follows that the process of emerging from this period of transition will be uneven, at points unclear, messy, and not linear or coherent. Imposing structure, coherence and consistency across political-economic space may thus take time.

ARTF has the structure and instruments in place to handle this complex challenge: The Strategy Group among other things functions as ARTF’s monitoring-and-analysis body on the larger macro challenges facing the Fund. This flexible body can help the ARTF quickly build a common understanding on issues and options of importance to resource allocation decisions which the ARTF will face in a rapidly changing environment. These shifts will be both on the “demand” and “supply” sides of the ARTF. The expectations are that donors will increase their financial contributions through the Fund while the demands on the ARTF’s funding will both increase in size but also change in content. ARTF’s new Financing Strategy “Rebuilding Together – SY 1391-1393 (2012-2014)”, has reached agreement on where the expected additional funds should flow. One question is if the proposals are based on a “business as usual” environment. The proposition here is that the transition phase may shift cost-benefit ratios in favor of a slightly restructured portfolio of activities, as laid out below.

4.2 Fiscal Situation and Challenges

Managed reduction of aid and putting more of it on budget are crucial factors for mitigating aid declines: The transfer of security responsibilities to GIRoA and the withdrawal of foreign troops will lead to reductions in external aid with implications for economic growth, fiscal sustainability and service delivery, as outlined in “Transition in Afghanistan: Looking beyond 2014” (World Bank 2012a). However, the reduction in aid may be less than expected since large shares of aid are currently spent outside Afghanistan. The Transition study presents several scenarios where important factors for addressing the expected decline in economic growth are based on managed (gradual) reductions of aid rather than sudden cuts, and getting more of it on-budget, in line with the Kabul process.
Resource envelope will remain uncertain: While annual growth has been over 10% for the last five years and revenue has reached 11% of GDP – a high figure compared with other countries at the same income level – Afghanistan remains highly aid dependent. Abrupt changes in external aid will hence have a substantial fiscal impact. But the political uncertainty that the transition implies may also affect both national and international investors, leading to a slower growth path, and where lower government capacity and political will may also affect revenue collection, as noted above. The public sector may therefore face several worries at the same time: uncertain but lower growth due to fewer external resources and perhaps reduced internal investment levels; threats to revenue collection; the possibility of worse security and increased polarization and regionalization of politics and economic activities; and some question marks regarding donor commitments to both putting more of their resources through the budget (if fears of funds mismanagement increases, for example), but also how they might respond if the security situation becomes more complicated or public implementation capacity and will is seen as weakening.

Off-budget funding has created a legacy of assets and recurrent cost needs and expectations: Large-scale off-budget investments have created a portfolio of assets which is not registered by local, provincial or national authorities and for which the public sector is not ready to take ownership. While a big effort is underway to establish a comprehensive inventory/cadastre, it is clear that the total value of assets and their concomitant O&M costs far exceed what the public purse can afford. Perhaps equally important is that many local PRT expenditures were for recurrent costs, some of which was provided quite informally and outside budget procedures and channels. These funds have sometimes been the only resources available for local O&M costs, but have also created expectations regarding continued financial assistance. Sudden reductions in these local cash flows may both be disruptive to local trade and economics, but may also represent a destabilizing factor in political relations – largely to the detriment of central authority.

Absorptive capacity is constraining the ability to move off-budget assets and activities on budget: All actors agree that getting more funding to sub-national government and addressing their high-priority expenditure needs is critical. But while central government has built considerable capacity over the last several years, the improvements at provincial level is limited and at district level generally very poor. The Government is thus facing an inter-linked chain of difficult decisions:

- Which additional (off-budget funded) assets to include as public property, especially which assets at province, district and community levels that should be accepted;
- Subsequently how it should address the O&M back-log on current public assets while also taking on the additional O&M demands from the new assets acquired;
- Finally and probably most importantly, how can the country manage O&M resources and implement O&M tasks at sub-national levels given existing capacity constraints.

Current Financing Strategy and the Transition phase: The ARTF Financing Strategy assumes that donor funding will reach about USD 1 billion/year. It notes that “in line with previous strategies, an increasingly greater share of ARTF’s resources will be devoted to investments rather than to recurrent costs” (ARTF Financing Strategy para 7). Figure 4.1 shows that the rapid increase in disbursements will largely be through the Investment window, though the Recurrent window will also increase in absolute disbursements as of 2011 due to financing of the
Incentive Program. However, the thinking behind this key statement is questioned here on several grounds. The first is that historical precedent is not seen as valid for choices made for the coming Transition period and its uncertainties. Another is that the statement as it is formulated is somewhat misleading: what has been decided is that a greater share of funds will go through the Investment window, to various projects, rather than as quasi-budget support for recurrent costs through the Recurrent window. However, when looking at project budgets, it is clear that on many of the larger projects much of budgets is in fact for recurrent expenditures – salaries, operations and maintenance. An increased share of funding through the Investment window will increase the capital component somewhat, but probably not that much. What the decision really does is turn more of the funding away from budget support to project support, which is not necessarily an advantage (discussed below). A third point is that the idea of the ARTF focusing on creating additional assets at a point in time where the country does not have a clear overview of all its current assets and insufficient funding to operate and maintain them raises questions about the overall financing strategy. Finally, since all projects so far have been nationally driven, the Strategy does not address the need for more resources and activities at lower levels of government as a key concern, something this review would argue is important.

**Figure 4.1: ARTF financing 2002-2011/projections 2012-2014 (Financing Strategy)**

![Graph showing ARTF financing 2002-2011/projections 2012-2014](image)

Source: ARTF Annual Report SY 1390, table 7.

**Strong prioritization and sustainable expenditure frameworks will be needed:** In view of the expected fiscal gap there will be a need to establish sustainable levels of activities and infrastructure. The Transition study refers to the challenges related to operations and maintenance costs of infrastructure developed through ISAF, LOTFA and AITF. For the ARTF some principles would appear important:

- While some donors have come to the ARTF suggesting that assets created for example with PRT financing should be included in the ARTF O&M program, it is GIRoA and not the ARTF that should decide which new assets the ARTF might assume recurrent cost funding for. The *Transition Coordination Council* (TCC) has the mandate to advise the Government on this, and ARTF should thus be in close dialogue with the TCC to ensure that new obligations are realistic.
The ARTF cannot fund the security sector. But since funds are fungible, ARTF financing may substitute GIRoA funding in areas like the social sectors. It is important that there is a realistic overall budget envelope so that ARTF recurrent funding does not substitute and “crowd out” national funding for priority fields.

The World Bank should track any increases in possible contingent liabilities that the government may take on (typical ones include social safety nets, pensions and social insurance schemes), for example when trying to address unrest and claims on the public purse from various political and social groups, to avoid a possible build-up in future public sector obligations that may threaten the fiscal picture.

Further enhance the structural reforms and develop a more solid fiscal framework: Given the concerns above, the ARTF’s focus on PFM needs to be continued, among other things by supporting further enhancements to the fiscal framework: (i) improved predictability of external aid, (ii) strengthened coordination mechanisms for programs and projects since in the immediate future sizeable funding will continue off-budget, (iii) strengthened capacity for domestic revenue collections, including customs and internal taxes and (iv) development of more solid costing of sector strategies/NPPs. Most of these processes are already covered in full or in part by different development partners, but the ARTF as a coordination vehicle can facilitate and strongly support increased coherence of efforts in this field.

The Transition phase with focus on increased recurrent expenditures: The Financing Strategy assumes the continued USD 25 million a year decline in the base budget support. While most of this funding has been for wage costs, the ARTF has all along also funded O&M expenditures and shown these as a separate component in the disbursement tables. During the 2003-2010 period these costs have for the most part been in the USD 50-85 million/year range. The issue of the overall level of O&M expenditures, the structure of O&M allocations – between sectors, and between national, provincial and district authorities – and how to ensure that O&M work is in fact carried out has become an urgent concern for all parties. What there is considerable consensus about is that there is a need for considerably more O&M funding, due to the combination of insufficient O&M during the last decade and thus a substantial O&M back-log, and the need for running and maintaining all the additional infrastructure that the public sector is to take over (off-budget funded investments). There is an active dialogue between the Government and the international community on these matters, and it is likely that the parties will agree to a fairly substantial jump in O&M funding levels. For the ARTF this will presumably mean more funding for O&M through the recurrent window. Figure 4.2 shows a possible development of the overall ARTF funding with an increasing share for O&M. This will require revisions in future versions of the Financing Strategy where the recurrent window could contain three components: (i) the Recurrent cost base (largely wages), (ii) the Incentive Program and (iii) O&M funding. Until a full asset review exercise has been carried out and pending the decisions of the TCC regarding the size and structure of assets the public sector will be responsible for, the O&M amount in figure 4.2 is purely speculative. The downward trend for wage funding is maintained, the foreseen amounts for the Incentive Program are kept, but a rapidly increasing amount for O&M is programmed in at the expense of the Investment window, so while the aggregate disbursement levels for the coming years are the same as in figure 4.1, the share that will go through the recurrent window increases substantially.
**Sub-national planning and budgeting for improved governance:** Under the Governance section in the Financing Strategy, a provincial budgeting pilot for SY1391 and a possible pilot O&M project with MoF are both referred to. These activities would seem to be strategic as they are in line with Government priorities, are fundamental for building basic capacity at sub-national levels and for channeling resources through to these levels – all helpful for moving more funds on and through the budget. The NPP on Local Governance provides a better articulated strategy for how to address the sub-national components than has been available before, though there are obvious challenges in implementation. Resources from the Incentive Program and the Capacity Building for Results project can be applied here, and there is moreover a window of opportunity for building sub-national capacities during the transition period with many “boots on the ground” still remaining – but for a limited time.

**Increased O&M and decentralized expenditures:** In figure 4.2, the O&M funding can be increased more if that is seen as useful, and in particular to scale this up as lower-level actors are seen as capable of administering and applying asset maintenance programs, including potentially even at CDC level if this is seen as viable. One important observation in this connection is that these O&M funds are likely to have a more equitable distributive pattern and greater immediate income effect than investment costs will. This is likely to produce more positive political effects as well, as different regions and levels of society experience a “fairer” resource availability with more easily accessible O&M funding.

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7 USAID, for example, noted that it has 430 staff outside Kabul who will largely remain in post through 2014, many of whom work with local authorities to improve their capacities and thus can provide critical support to any process of providing O&M funding more directly to sub-national levels. A different (complementary?) approach would be to note that Afghanistan was able to build CDCs in about 30,000 local communities through contracting Facilitating Partners. Taking a similar approach of building core capacities in less than 400 districts thus does not seem such a daunting undertaking. While task complexity is clearly greater, management “reach” is much less, meaning that implementation monitoring should be a much simpler issue.
**Donor funding more predictable and un-preferred?** A number of donors have signaled that they will reduce their field presence yet maintain their funding levels and respect the Kabul process principles of moving 50% of their funding on-budget and 80% to be aligned with national priorities. One way of doing this is to increase the resources channeled through the ARTF. One challenge ARTF may face is that donors can most easily address the alignment-objective by preferring funding to particular NPPs. This may mean that the ARTF may face an *increase* in funds being preferred. The solution to this lies in the ARTF overall being aligned with GIRoA priorities and that individual donors therefore are willing to accept this *aggregate* alignment as sufficient rather than defining own sector preferences. Here the ARTF as a platform for mutual accountability should simply discuss this possible contradiction and find a pragmatic and operational solution, which should not be hard, and several donors have now signed multi-year non-preferred funding agreements.

### 4.3 ARTF Alignment with Government Priorities

*Government development thinking strengthened:* GIRoA has over the last years developed its vision of how to build the country’s future by moving from the reconstruction thinking to preparing the ANDS and operationalizing this in the form of 22 NPPs structured around six development clusters, as outlined for the Kabul process (see figure 4.3).

**Figure 4.3: Key elements in the Kabul Process**

*Government priorities clearer, better operationalized:* Of the 22 National Priority Programs, only 16 were ready for presentation to the Tokyo conference in July 2012. They consist of ongoing and planned activities and programs, though not all of them are clearly prioritized or fully costed. Each NPP incorporates three principal components: (i) prioritized reform initiatives; (ii) selected institution building; and (iii) improving and increasing direct services to the population. In order to reflect local perspective and needs, the NPPs are to have been informed by province-based assessments, provincial plans and articulated strategies of the
ministries (the extent to which this is in fact the case is beyond the scope of this review to assess). The degree to which funding has been identified for the various programs varies considerably. The issue this review was to address is the extent to which the ARTF is aligned with GIRoA priorities, which in practice means the NPPs. The 16 NPPs are listed in table 4.1 below according to the six clusters: Agriculture and Rural development, Infrastructure, Private sector, Human Resources development, Governance, and Security.

**Table 4.1: The Six Strategic Clusters and 16 Current National Priority Programs**

<table>
<thead>
<tr>
<th>Agriculture and Rural Dev’t Cluster</th>
<th>Infrastructure Development Cluster</th>
<th>Private Sector Development Cluster</th>
<th>Human Resource Dev’t Cluster</th>
<th>Governance Cluster</th>
<th>Security Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Rural Access</td>
<td>National and Regional Resource Corridor</td>
<td>Integrated Trade and SME Support Facility</td>
<td>Education for all</td>
<td>Financial and economic reforms</td>
<td>Peace and reintegration program</td>
</tr>
<tr>
<td>Strengthening Local institutions</td>
<td>National Extractive Industry Excellence program</td>
<td>E-Afghanistan</td>
<td>Expanding opportunities for higher education</td>
<td>Human Rights and Civic Responsibility</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Development to accelerate NAPWA</td>
<td>Health for all</td>
<td>Urban Management Support</td>
<td></td>
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<tr>
<td></td>
<td>Facilitation of Sustainable Decent Work through skills dev’t and market friendly labor regulation</td>
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</table>

**National Priority Programs as foundations for Government programming:** The NPPs vary in comprehensiveness but are aligned to already existing sector strategies and policies and include existing initiatives and programs. They are to deliver their results during the Transition phase 2012-2014. However, the large number of quite complex NPPs will clearly strain the Government’s capacity to manage the complete process from planning through implementation, reporting, monitoring and evaluation. The interdependencies may cause major bottlenecks: the NPP for Local Governance, a key NPP, lists 17 ministries and agencies involved within the program, yet this NPP in turn needs to coordinate with other NPPs, such as the one on Strengthening Local Governance under the Agriculture and Rural Development cluster. While they largely include the same ministries and agencies, they have slightly different objectives and projects funded, and with different lead ministries. Limited capacity to formulate projects/programs for new priority areas is a government worry since this produces a bias towards already on-going activities in terms of donor funding. Figure 4.4 shows the financing gaps for a number of key programs, where the unmet financing ranges from zero (CDCs) to nearly 100% (gender). Some of these gaps are due to donor concerns about a given ministry’s or agency’s capacity to implement programs. This has created what the MoF sees as an untenable situation of “donor favorites” receiving large funding while other ministries that the Government considers strategic receive very little.
The problem that the MoF is worried about is that these funding imbalances between NPPs may cause structural inequities to national development over time. The fact that some ministries do not have capacities and leadership to manage the complete project cycle for their programs is therefore a major stumbling block, and one that needs to be included in the larger capacity development strategy for CBR/Incentive Program funding.

**Figure 4.4: Funding gaps, percent of total financing needs, sample of priority programs**

Source: Various NPP documents.

**ARTF finances four out of six clusters, but Financing Strategy classification differs from ANDS and NPPs.** Figure 4.5 shows that the ARTF provides financing to four out of the six Clusters, namely Governance, Human Resources, Infrastructure and Agriculture and Rural development. The latter dominates in terms of funding when only looking at the Investment window, as noted previously, but when one takes into account the Recurrent cost window, the picture is somewhat different. While Recurrent cost expenditures are not broken down by Cluster, most of this funding is for wages in the health and education sectors, and thus for the Human Resources cluster. For practical purposes, all of this financing is therefore included in the Human Resources cluster. However, it should be noted that the sectors defined in the ARTF Financing strategy are not fully in line with the defined NPP clusters. Rural Access Roads (NRAP) is defined under the Agriculture and Rural development cluster whereas in the Financing strategy it is presented under Infrastructure. For the ARTF to use the same classification scheme as the Government’s Clusters and NPPs would facilitate communications and management, including comparisons between GIRoA and ARTF M&E frameworks.

**Agriculture and Rural Development maintains successful ARTF financed programs:** NSP III is fully captured and planned for within the NPP *Strengthening Local institutions* under the Agriculture and Rural development cluster, just as National Rural Access Roads is maintained under the NPP *National Rural Access*. The ARTF donors should, however, review the Financing Strategy with regards to the longer-term CDC support, since CDCs from a local governance perspective is intended as an interim solution, as noted in the NPP on *Strengthening Local Institutions*: “Once the Government’s Sub-National Governance Policy (SNGP) is finalized and existing local institutions such as CDCs and DDAs are provided with a clear mandate and direction, MRRD will readjust the national programs to ensure local communities’ and institutions’ capacities are developed in a manner that best fulfills their new mandates.” But the issue raised in the 2008 ARTF review, whether CDCs are primarily to be seen as local
governance/administrative bodies or as locally-owned vehicles for mobilization and more self-reliant development, remains (see more on this below).

**Figure 4.5: ARTF Financing by Cluster 2011-2014, USD mill**

![Figure 4.5: ARTF Financing by Cluster 2011-2014, USD mill](image)

Source: ARTF Financing Strategy.

**Local Governance as core ARTF program:** The NPP on Local Governance contains four priorities defined as separate components: (i) National Basis for Local Governance, (ii) Provincial and District administration, (iii) Municipal administration, and (iv) Local Representation, Transparency and Accountability. The first component is to strengthen the framework within which sub-national governance takes place. This includes reforms of the system of sub-national finance and of key legislation on sub-national governance. The component on provincial and district administration is to provide infrastructure, capacity development and key civil and administrative reforms at these levels, including strengthening sub-national planning and budgeting with the MoF. This latter is closely linked to the pilot on Provincial budgeting and the O&M pilot referred earlier. Given the challenges foreseen for the Transition phase, it is felt that the ARTF partners should give particular attention to this and the other inter-linked NPPs, and where necessary assist the authorities to develop operational projects that can strengthen policies, procedures and capacities in line with this NPP’s objectives. The authorities are obviously aware that this is a daunting task, and note the need for simplifying and streamlining what has already become a rather complex (donor-funded) governance picture at lower levels of societal organization:

...the program builds on existing initiatives but links them together to ensure no duplication and more effective outcomes. A Government-led program to consolidate local level assistance systems will reduce the confusion caused by multiple ways of doing the same thing, and will help institutionalize and simplify the ways that rural communities can present their needs to development agencies. Building on existing programs also means that systems, policies and procedures are in place, with staff capable of administering the work and performing scale-up immediately. (All three component levels – village, cluster and districts – have detailed operational manuals to supplement this document). Thus, this program attempts not only to combine all three programs for logic, synergy and sequencing, but aims in the long run to streamline multiple groups of staff and materials for more efficient use of resources (NPP “Strengthening Local Institutions”, p. 12).
NPPs give limited attention to cross-cutting issues with some exception of gender: With few exceptions, the NPPs reviewed give limited attention to cross-cutting issues such as anti-corruption, environment, governance. Gender is addressed with a separate NPP dedicated to building government capacity for gender mainstreaming in policy making, programming, planning, budgeting and implementation, monitoring, reporting and evaluation processes. Results will depend on funding (the budget is small), the real political influence of the Ministry of Women’s Affairs to sway policy and practices in the substantive sectors and thus influence the extent to which mainstreaming is actually implemented in the various NPPs.

NPPs provide opening for sector financing: ARTF funding through the Investment window is structured around specific projects. In some sectors, like education, there are now a number of projects (EQUIP, tertiary education, technical-vocational training) that together could be the basis for a broader sector program. This is in line with one of the propositions put forward by MoF, where the request is for less funding to specific projects and more support for a broader agenda in the sector. This approach respects donors’ wishes to fund a given sector, like education, but notes that the situation in the country is moving quickly and the authorities need to be able to address new priorities. As NPPs improve in realism, quality and comprehensiveness, ARTF should be open to less project-funding and more SWAp-like pooling around NPPs or NPP components. Coupled with the Incentive Program and CBR to build delivery, quality assurance and reporting systems and capacities, this will over time also allow for a transfer of some of the administrative responsibilities to the authorities, something MoF also is asking for (see section 4.4).

Support a more comprehensive and transparent budget composition and process: The ARTF should move in the direction suggested in the 2008 review, supporting a more comprehensive budget that captures the external financing in the medium term fiscal planning and strategic resource allocation processes. Linked to this is the need for classifying budgets and expenditures according to standard economic, financial, organizational and functional categories (IMF’s Government Financial Statistics – GFS – classifiers). A substantial part of what is currently claimed as investment spending due to it being externally financed is of course recurrent or operational costs for salaries, operations and maintenance of equipment and infrastructure, as discussed previously. Moving from project-defined funding to more budget-driven SWAps is therefore helpful in terms of improving transparency of funding. It is clear that the challenges in doing so are significant, but many of the necessary systems have been developed – the challenge is to build sufficient understanding and knowledge – capacities – to use them properly. This is particularly acute for provincial/district administrations, so capacity building resources need increasingly to address these issues at the sub-national governance levels.

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8 While there is a need for Western donors to be realistic about what can be achieved how fast in various parts of Afghan society, there also appears to be little analysis of likely long-term effects of what are after all significant gender advances in education, health, CDCs and elsewhere. While real voice and influence remain weak, the cumulative effects of structural changes, formal roles, and growing awareness raising and empowerment through increased use of ICT, exposure to modern media, civil society engagement etc should not be ignored.

9 Another funding option mentioned by Bank staff is the recently approved “Program for Results” – known as P4R – financing instrument. This was only approved by the Bank Board in May 2012, however, so exactly how this might work in the Afghanistan context this team is not in a position to assess.
**Future forms of community-driven development (CDD) not clear:** Since NSP takes such a large share of available funding for rural development, it is important that a careful analysis of the current NSP program is assessed against both alternative models for CDD but also the other small-scale agricultural programs that some other actors favor as generating better livelihoods outcomes. A key input to this will be the NSP Impact Evaluation results that are to be presented during the fall of 2012, since these will provide a lot more data on what the benefits from the various CDC projects have been. With regards to CDCs’ development role, all rural development projects can now link up with and take advantage of the CDCs, which a number of ARTF-funded small-scale agricultural projects do. The variables that are being looked at in the Impact Evaluation go well beyond the socio-economic benefits, however, and also cover governance, social capital and gender dimensions. The assessment of the NSP thus will touch on many of the issues that Afghanistan as a society and the donors note that they wish to address. The actual decision on if and with how much donors should continue financing the NSP will undoubtedly be an important debate in the ARTF when the revised Financing Strategy is to be put in place (see box 4.1).

**Overall ARTF priorities are in line with ANDS and NPPs but with limited coverage:** At the overall policy level, the ARTF Financing Strategy is aligned to the ANDS and the NPPs and supports key policies, strategies and/or programs. There are, however, important areas articulated in NPPs that today are not contemplated for support by the ARTF. There are several questions the ARTF needs to address in the next version of its Financing Strategy:

(i) What is the balance the ARTF foresees over time between basic budget support, the Incentive Program, O&M funding, and new investments, and in particular how much O&M should the ARTF actually fund (burden-sharing between asset owners and the general public purse)?

(ii) With regards to O&M, how can this be structured to give highest rates of return both in terms of asset values, but also as a source for local economic activities and strengthening of sub-national governance and activities (should all funding be channeled through line ministries or can some funding streams go directly to provinces and/or districts – what would be criteria for allowing funds to flow directly to sub-national levels? Should larger assets at community level receive O&M funding, and would CDCs be eligible for managing O&M)?

(iii) With regards to the project support, does the ARTF intend to broaden support within a sector, moving in the direction of SWAps (health? education?), or does it intend to broaden the scope in terms of the number of NPPs and programs that it will fund?

(iv) To what extent should the ARTF provide financing to new sectors (NPPs) that today have limited/poor capacity but are strategic to the country’s development? To what extent is it GIRoA’s responsibility to use the Incentive Program and CBR to get adequate capacity in place before it requests ARTF implementation funding?

(v) How can the ARTF more effectively support continued structural reforms and NPP planning and implementation, and in general what should be the appropriate links between IDA efforts and the ARTF in these and the other areas where technical skills and funding coincide?
Box 4.1: CDCs and the Future

With funding from NSP, the CDCs have become key to promoting development initiatives and popular participation at the lowest societal level in rural Afghanistan. CDCs have been involved in project identification, beneficiary selection and project consultation, and in some areas in dispute resolution and support for an increased role for women. They have promoted projects related to irrigation, farm water management, horticulture and livestock, social safety nets, rural enterprise, rural roads, etc, and been local promoters of health and education interventions. In this way, NSP funding is addressing one of the major challenges of Afghan development: the over-emphasis on Kabul-based state building, with few resources and attention to rural areas.

One question raised about CDCs in the NPPs is their future role in the country’s institutional and administrative structure. A more useful approach is perhaps to see the CDCs’ future as local community-owned bodies that exactly are outside the formal political and administrative systems and instead provide the foundations for locally-owned development and potentially act as local voice on behalf of community rights-holders vis-à-vis the political and administrative authorities.

The key success of the CDCs has been in their promotion of small works based on the NSP grants. In some communities the issue of O&M of the NSP investment is now becoming a real challenge. There are also other local assets created for example through PRT funding that communities are being given responsibility for that pose another question regarding CDCs’ future: the extent to which they can handle O&M responsibilities, and how to mobilize funding for this.

Other challenges in working with the CDCs have been identified (see minutes from CDC Sustainability Workshop, 10 May 2012): the village/community level is too small for many projects; CDCs have low literacy rates and weak technical skills; there is a lack of clarity on their roles; there is meeting fatigue; there are complaints about the lack of monetary compensation; they are not fully representative (particularly in gender and generation terms); there is considerable meddling from district and province officers; CDCs are often in fact controlled by local elites.

On the other hand, there is no other body like the CDCs, providing local society both a political and development link to larger Afghan society. From a longer-term nation-building and agricultural/rural development perspective, the considerable resources poured into the CDCs have established a reasonably well-identified body that is able to perform an important gatekeeper function both for the local community to the world outside, and for external actors to reach local communities. Whether this is a good model will be looked at in the on-going impact assessment. What is clear, however, is that in a highly fragmented country still struggling to build stability, structure and linkages, the CDCs represent a unique and in many ways a remarkably successful local organizational structure. While serious questions are being raised about the costs of continuing CDC funding, problems and costs if CDCs are allowed to deteriorate and die should also not be underestimated, and should be subject to careful analysis once the Impact Evaluation data are available.

What seems to be missing is a more critical debate on the fundamental funding strategy for CDCs. The large-scale but once-every-five-year block grants is neither sustainable nor in line with “good practice” models in the region, where both a need for frequent funding (small-scale agricultural projects, O&M activities, own funded community tasks) but also continuous dialogue with the larger organization for learning and interaction with other communities is central. The very sporadic contact with FPs and lack of predictable tasks and funding may be the greatest threats to CDCs’ future.

4.4 Managing and Staffing the ARTF

Institutional set-up of ARTF is “fit for purpose” but capacity demands are increasing: While there is agreement that the structure of the ARTF is appropriate for the task, the need for more capacity at management and technical levels is driven by several factors:

- The size of the ARTF is foreseen to nearly double in terms of annual disbursements and also as a share of donor funding. This means the political role and public finance consequences of ARTF decisions will grow in importance;
• A number of donors believe that some of the projects are under-staffed in terms of technical skills for managing performance in the difficult working environment;

• The increased political and implementation uncertainties during the Transition phase will lead to more difficult situations and a need for more decisions;

• More capacity for sector programming, possibly including in new fields (NPPs) and in particular more emphasis on sub-national capacity development, planning and activity implementation, will be required;

• Better and more risk analyses, improved quality assurance (QA) and a better structured, more comprehensive and in some fields more in-depth monitoring and evaluation (M&E) program is being asked for;

• Clearer ARTF visibility with a communications strategy, strengthened dialogue between development partners, improved data quality and accessibility are also mentioned as areas for potential strengthening.

While this is a daunting list of demands, the tasks can be addressed in a number of ways that do not require the World Bank to take all of these on.

**Distinguish the political from the managerial responsibilities:** The World Bank as Administrator will have to continue assuming managerial and fiduciary responsibilities, but the political issues are primarily for the larger ARTF partnership to address. This is not different from the current situation, but if in fact the Transition phase leads to some rougher political waters, the requests and demands from both the Government and the donors for a more active policy dialogue and more careful preparations and open discussions is exactly the way for the ARTF to move: the burden-sharing on fundamental decisions needs to become more equitable. The challenge is to make this concrete in terms of senior staff time allocated to ARTF matters by the Government and donors. While both sets of actors claim they are ready and wish to shoulder more responsibility, actual practice has so far not really reflected this. In principle moving towards more GiRoA owned processes is appropriate. The question is if the transition phase will make it difficult for the authorities to take this on. While the principle of splitting political and managerial responsibilities thus should alleviate pressures on the Bank, in practice this may not happen at least in the short run, in which case the Bank needs to factor this in when assessing staffing needs.

**Coordination with other actors:** Two other multi-donor trust funds exist: the Law and Order Trust Fund for Afghanistan (LOTFA), administered by UNDP, and the Afghanistan Infrastructure Trust Fund (AITF) with the ADB. Some of the larger UNDP area programs also can be seen as largely belonging to this group. One question is if the three MDTFs and other complex programs require more formal collaborative structures to strengthen overall effectiveness. There would seem to be little reason for this, however: (i) ADB and UNDP are members of the ARTF Management Committee, so the actors meet regularly to discuss such matters in any case, (ii) there is a functional division of labor between the three MDTFs that minimizes inefficiencies and overlaps (though this is a little more complicated with some of the UNDP area programs), (iii) all three work well with the national authorities, who are overall responsible for coordination and thus can presumably handle whatever further communications are required for the three MDTFs to function well. Keeping each MDTF as simple as possible in its governance structure is probably a virtue in itself.
**Build new partnerships and divisions of labor for technical/implementation tasks:** When it comes to the increased demands regarding implementation of ARTF funded activities, several donors expressed a willingness to make staff available for ARTF responsibilities, such as M&E tasks, specific analytical work, risk management studies, etc. Such staffing support could be provided based on defined ToRs, or donors funding or directly seconding staff to work directly with Bank staff, and not necessarily in Bank premises but in their own aid offices/embassies. In order for this to become a viable solution, however, some basic “rules of the game” would need to be agreed to, because experience from elsewhere has been that such seconded or “time-share” staff often find themselves under dual management, having to spend an inordinate amount of time reporting back to own embassies/funding agencies. Simple principles that time spent on ARTF tasks will be reflected in general ARTF reporting and with the supporting donor/agency having no rights or claims on additional reporting, the Bank having final say in work areas, etc, need to be in place, otherwise such arrangements can end up becoming dysfunctional and capacity depleting rather than capacity augmenting.

**Partnerships with Afghan knowledge centers to strengthen domestic accountability:** A further option is to increase the involvement of Afghan knowledge centers in more active QA and M&E. There are several institutions in Afghanistan that can carry out various kinds of monitoring and impact assessments. When it comes to provincial, district and local levels but not least in the more conflictive areas of the country, only institutions with Afghan staff can of course carry out such work. Several national institutions are already involved and their role could be enhanced: the Facilitating Partners in the NSP; partner organizations in SHARP; more specialized institutions like the Afghanistan Research and Evaluation Unit (AREU), the Afghanistan Analysts Network (AAN), Integrity Watch Afghanistan (IWA), and various universities and colleges (which are of varying quality but exactly for that reason might benefit from a longer-term capacity building partnership).

**Piloting innovative approaches to QA/M&E:** There is in particular a need to carry out more in-depth studies on processes and results at locality levels, for understanding outcomes and impact produced, for which these kinds of actors undoubtedly are most suited. A number of the Afghan actors have developed skills and approaches that the ARTF could benefit from. Integrity Watch Afghanistan’s participatory monitoring with focus on local governance and corruption control is one example, where it has prepared ideas for piloting such activities in Herat, and which could potentially be scaled up. AREU has carried out small-scale in-depth community studies, etc. One proposal is for the ARTF to fund innovative/pilot activities related to implementation and QA/M&E of its activities, opening up for a more diversified but more strongly Afghan knowledge base to strengthen performance monitoring.

**Encouraging more external knowledge centers to get involved:** While focus should be on increasing Afghan engagement and responsibility for ARTF results monitoring, bringing in more external knowledge centers should also be encouraged. Funding for QA/M&E activities for international actors, primarily in partnerships with Afghan milieus through “twinning” arrangements, would help build local capacities. This is to a considerable extent already being done as the Supervisory Agent and Monitoring Agent are largely staffed with Afghan technicians. The NSP Impact evaluations and the health sector performance studies are also built on this model, though most of the local skills are contracted in rather than through partnering, something the ARTF may wish to look into/assess.
Acknowledging the governance challenges: Afghanistan remains at the bottom of many of the international rankings regarding corruption, women’s rights, governance performance, etc. While the country has made important strides in fields such as girls’ education, it is also true that many challenges remain, and the ARTF partnership should be realistic about these. Tracking and encouraging improvements in the various governance and human rights fields needs to become a more visible part of the ARTF, and should have dedicated funding and staff time to ensure that these issues remain high on the ARTF agenda.

A flexible fund for innovation and quality assurance: The ARTF may thus consider establishing a separate fund for innovation, piloting, quality assurance and M&E. A series of task streams could be funded through this, with different donors assuming the responsibility for the technical/quality assurance of the activities. This fund could include the financing for the Monitoring Agent and the Supervisory Agent; there could be open calls for local actors to propose research and studies relevant to ARTF, or for piloting of activities seen as strategic by the ARTF such as how to plan, prioritize, contract, manage, supervise and report O&M tasks at district and provincial levels; how to do better capacity building in different sectors, different levels; how to monitor, report and feedback results to implementers and local beneficiaries, including on governance, corruption and gender issues, etc. There are a number of ways in which such a fund could be structured and responsibilities organized and distributed. The main idea is that this field, which is management and technical skills intensive, can be organized in such a way that national authorities and donors assume much of the burden, leaving the Bank with a more limited responsibility.

Strengthening national stewardship and management: The active role of the MoF in the ARTF Steering Committee and the Strategy Group has strengthened national stewardship of the ARTF. The fact that senior technocrats but also the political leadership of the MoF often take part in crucial ARTF meetings is strengthening national ownership. But the MoF has stated that it would like to see a further strengthening of Afghan management of the ARTF, as part of an exit strategy: by the end of the Transformation phase, Afghanistan expects to be considered and treated as any other borrower/aid recipient, with the same rights and responsibilities, and thus no longer in need of an ARTF. MoF has noted that this would be a gradual process, where some of the steps are to move towards sector-wide and/or more programmatic aid, in line with the alignment and on-budget principles of the Kabul process; and increasing the use of government systems and instruments, such as for procurement, implementation, monitoring and reporting. The ARTF is already well aligned with the ANDS/NPPs and provides funding on-budget, so it is already among the “best in class”. But many of the labor-intensive tasks for Bank TTLs have to do with procurement, for example, so reaching agreement on simplified procedures might be useful: more of expert hiring and contracting and small-scale procurement could be done on an ex post verification rather than an ex ante approval basis; procurement value thresholds could be adjusted based on agreed-upon performance criteria; more flexible procurement rules could be applied for local procurement in areas with limited supplier options, etc. While a number of these issues clearly run into concerns about fiduciary risks and the threats of corrupt practices, an open discussion on the issues and possible solutions could be useful, where innovation in building accountability could be a concrete value-added dimension of this process (community monitoring of local procurement, peer reviews of skills performance, etc.).
Still, the Bank needs a reformed staffing plan: Notwithstanding these options, there is a perception among donors as well as in the Government that the size and complexity of the ARTF, and the increase of the administration fee from 1.5% to 2%, both obliges and provides the funding for the Bank to increase its own staff dedicated to the running of the ARTF. At the end of the day, the Bank and the other ARTF partners will have to sit down and assess (i) the structure and complexity of the ARTF program (more or fewer NPPs, more broad-based funding or continued project financing etc), (ii) the likely political demands on the Fund during the Transition phase, (iii) the ability of GIRoA and donors to assume a greater share of the ARTF technical burden, (iv) the need for the Bank to use its own staff versus using more hired-in skills, the need for permanent staff on the ground versus addressing issues through missions and shared staff in neighboring countries, etc. While Bank management is concerned that it may be difficult to attract the kinds of senior skills that programs require and that the Bank may not have the infrastructure and security arrangements in place to handle more staff, it may not have much choice: if increased and continued donor funding is contingent upon the Bank getting more TTLs in-country, solutions simply have to be found.

4.5 Summing Up and Options for the Future

- The Transition phase for the ARTF is likely to mean a period of increased uncertainty, reduced implementation options, uneven political will and capacity to implement across the country and sectors, and thus a period where economic returns to activities will be lower. The ARTF should thus focus on defending the gains achieved by concentrating on the activities/sectors that are the more successful ones – PFM, social sectors, and rural development – and for the time being scale back ambitions regarding expanding into new sectors and regions.

- The Transition phase may last longer than currently expected, for which the ARTF partners should be prepared. It may also provide opportunities, however. One in particular is strengthening sub-national governance and capacities by focusing on operations and maintenance (O&M) tasks, which generally are easier to carry out, for which there is more local capacity, and which may generate more immediate local economic benefits and be geographically more equitably distributed.

- The expected reduction in donor presence on the ground, the pressures to make donor funding better aligned with national priorities and on-budget means funding through the ARTF is expected to double to about USD 1 billion/year. This provides an opportunity to re-think the structure of ARTF funding in connection with the next revision of the Financing Strategy.

- In light of the above, a strong suggestion is to increase O&M expenditures considerably. This will require elaborating an O&M disbursement strategy to balance funding through national versus sub-national government; which assets are to be included and which cannot be addressed (based on the decisions of the Transition Coordination Commission); how to program, contract, monitor and quality assure O&M activities at different levels and across the key sectors, etc.

- The ARTF should make resources more flexibly available in those sectors that have capacities in place, such as education where several projects already exist. While the move to SWAps needs to be realistic, the ARTF should have this as an objective and
agree with GIRoA how to structure and pace this move from project financing to program (sector, NPP) funding.

- In general the support to improve public finance management, including through strengthening a more coherent, comprehensive and quality budget structure and process, remains a key task. Further structural reforms and a more solid fiscal framework that covers an increasing share of donor funding is important for the move towards more GIRoA leadership on programming and priority setting.

- The results from the NSP Impact Evaluation regarding economic, governance, gender etc results should inform a critical debate on the organization and objectives for community-driven development, looking in particular at the current funding model for CDCs, their learning and interaction structures as against similar programs in the region, as the current CDC model may not be sustainable.

- As the ARTF increases in size, takes on more complex issues (sub-national governance, and O&M), and faces more uncertainty, the demands on management and technical staffing is seen to increase. ARTF should consider various burden-sharing options:
  - Donors and GIRoA have all expressed a desire and willingness to take on more of the policy analysis and decision making responsibilities, but actors need to document actual capacities they will make available.
  - Much of the quality assurance (QA) and monitoring and evaluation (M&E) tasks can be contracted out, with particular attention to using and building national skills as a means of strengthening domestic accountability.
  - A general fund for innovation, piloting, QA and M&E work can be set up since the increased uncertainty and probable greater activity level at sub-national levels will create a need for much more diversified and new approaches to tracking performance and generating actionable information. Such a fund could be divided into different task streams, with different donors assuming the technical/results responsibilities for the activities contracted, leaving the Bank with a more limited set of responsibilities.

- The national authorities want to put in place a program of transferring tasks and responsibilities from the ARTF to national actors. This could include simplification of procedures, more use of *ex post* verification rather than *ex ante* approvals, more flexibility on contracting and hiring, etc. However, such shifts in responsibilities need to be based on contractual agreements with performance criteria that should include dimensions like fight against corruption and in general improved human rights and governance performance.

- The ARTF partners will need to assess the overall staffing needs, and how the various tasks can be allocated. At the end of the day, however, the World Bank will probably need to increase its field presence. While this will pose problems in terms of recruitment, infrastructure and security arrangements, this staffing increase will almost certainly be unavoidable, and operational solutions must simply be designed.
Annex A: Terms of Reference

Supporting the Afghanistan Transition (and beyond)

1. Afghanistan has entered a further phase of “transition”, combining a drawing down in the international military presence with the phased consolidation of Afghan institutional authority over security and development. A key feature of this transition is likely to be the reduction in the flows of international assistance, including ODA, but at the same time a potential increase in the use of country systems. In this context, ARTF donors have requested a third review of the ARTF, bringing in independent outside experts to ensure the sustainment of good quality development assistance for Afghanistan. The evaluation will consider ARTF’s strategic and institutional orientation in the coming period. Given the size and scope of the ARTF – and given the wide range of lessons emerging from the experience – the external review will be coordinated by the World Bank’s Global Centre for Conflict, Security & Development (CCSD) with support from the Afghanistan Country Management Unit to ensure a wide range of knowledge and expertise is integrated, from both outside and inside the World Bank. This will also ensure that lessons learned are fed not only into the ARTF program, but also back into the wider community of practice on MDTFs and fragile and conflict-affected countries. The final product will be authored solely by the external group of consultants to be contracted by the World Bank.

Part I: Background, Objectives and Key Themes

Background

2. The Afghanistan Reconstruction Trust Fund (ARTF) has been central to the development effort in Afghanistan since its establishment in 2002. Through the ARTF, donors have contributed over US$4 billion to the Afghan budget for service delivery and reconstruction across the country. Along with the UNDP-managed LOTFA (for police salaries), the ARTF is the main multi-donor mechanism for on-budget assistance and is an important vehicle for donors to channel funding into the country during transition and also to meet Kabul Conference commitments on donor coherence and country systems.

3. The ARTF has been behind some of the main development achievements in Afghanistan. It has financed running costs of the Afghan government, supporting sustainable service delivery and basic state effectiveness during the emergency assistance phase. It has also financed some of the government’s main national programs, leveraging multi-donor assistance to scale up investments nationally, including in rural development, community development, microfinance, agriculture, education and health as well as capacity building of government institutions. More broadly, the development of a transparent and effective public finance management system would not have been

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10 The two earlier reviews were in 2005 and 2008. Both are published on the ARTF website: [www.worldbank.org](http://www.worldbank.org).
possible without the ARTF instrument attracting funding, and therefore priority attention and support, into the budget.

4. However, there have also been many challenges. The Kabul bank crisis of 2010/11, for example, put the ARTF under pressure given its role in funding the government’s recurrent budget. More generally, the variety and number of stakeholders in the ARTF can inevitably lead to tensions in the direction the fund takes. Managing donor and government expectations can be challenging in such an environment.

5. The evolution and success of the ARTF from an emergency financing vehicle to a comprehensive development instrument provides some useful lessons for multi-donor instruments in other fragile and conflict-affected countries. Over the last three years, ARTF financing has attempted to leverage and coordinate policy dialogue on economic governance through the ARTF Incentive Program. With the recent introduction of the ARTF Financing Strategy, the fund has also attempted to establish the principle of multi-year, predictable and strategic financial allocations in line with the government’s priorities. ARTF donors and government have also recently concluded a set of improvements to the governance and management arrangements of the ARTF, in line with recommendations made in the 2008 independent review, including the accession of the Ministry of Finance to the Management Committee, formally establishing the Strategy Group, and increasing the administration fee to strengthen the Administrator’s oversight capacity. Finally, ARTF is piloting third-party supervision to provide additional support to the oversight of project implementation to priority project sites across all accessible parts of the country.

6. These changes underline the commitment of all ARTF stakeholders to the maintenance of a “fit for purpose” ARTF, particularly important given the fluidity of the Afghan context. The recent World Bank analysis: “Transition in Afghanistan: 2014 and beyond” underlines that this context is set to undergo further radical change. The Afghan transition brings a new set of challenges, especially with regard to the fiscal burden on government, job creation, the transition of core and sustainable capacity to Afghan institutions and the protection of basic service delivery. In addition, some donors will be adjusting their own operations and footprint during this period, while considering further increases in the level of funding under government of Afghanistan control and in line with National Priority Programs (NPPs). In turn, these changes will have implications for the positioning and strategic orientation of ARTF. The current ARTF closing date is June 2020, allowing a reasonable window of opportunity for the international community to align its support effectively for the next phase.

7. It therefore was proposed by a group of donors that an external review of the ARTF should be undertaken, drawing on input from the Government of the Islamic Republic of

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11 The last review of the ARTF, completed in 2008, was informed by a set of assumptions including an economy growing by 10 per cent per year and a set of Afghan priorities articulated through the Afghanistan National Development Strategy (ANDS). In 2011 the context has changed. A new set of Government priorities has been captured in the National Priority Programs and Kabul process. A clearly defined timeline for transition of security leadership to the Afghan government has been established. Significant contractions in the Afghan economy have been forecast.
Afghanistan (GIRoA), donors, Afghan and international civil society, and the World Bank, to assess the positioning and ability of the ARTF to continue as an important mechanism for on-budget development assistance during and beyond transition. The proposal to undertake a review of the ARTF’s strategic orientation and results received strong support at the recent Bonn conference.

Results of earlier evaluations of the ARTF

8. Two earlier external evaluations of the ARTF were undertaken by an independent consulting group. The first evaluation (published March 2005) provided recommendations concerning reporting, government-donor dialogue, and the investment window. The second evaluation (published August 2008) made recommendations for better integration of the investment and recurrent windows, the development of a 3-year financing strategy and improved performance monitoring and donor engagement.

9. Both evaluations’ findings were broadly positive and concluded that the Fund was in line with good practice principles for structuring and managing funds in post-conflict situations. They each set out a framework to focus the ARTF’s activities in subsequent years and recommended broad changes in the strategic direction of the ARTF, many of which were subsequently adopted. In addition, bilateral donors have undertaken their own reviews including audits by SIGAR.

10. Finally, the World Bank’s own Independent Evaluation Group is currently undertaking a major evaluation of the Bank’s program since 2002, including the ARTF. These results will be publicly available and the external review can draw on them. Given the plethora of ongoing and completed review materials, the current review will have a strong forward-looking focus, but will draw on the reviews underway, and, if necessary, include additional measures to consider results achieved to date.

Overall objective of the 2012 Review

11. The overall objective of this review is to assess the strategic positioning of the ARTF in the context of the changing needs that the Afghan transition implies. It will assess and make recommendations as appropriate for maintaining and strengthening the ARTF as a mechanism for the delivery of on-budget development assistance to Afghanistan. The review will consider how ARTF operations, management structures, and resourcing should evolve over the period. In this context, the review should consider both the overall results and impact of the ARTF in the period since the last review, as well as the future strategic direction of the Fund. The review will compare to the extent possible how well the ARTF delivers its results compared to other bilateral and multilateral programs in Afghanistan as a means of assessing its “value for money”.

12. The review will start with a stocktaking exercise, taking into account the findings of past or ongoing reviews, including the recent audits undertaken by SIGAR, the US Governance Accounting Office (GAO), the EU and other groups in particular with regards the assessment of the ARTF’s fiduciary framework for ensuring that ARTF funds
are fully accounted for and used for the purposes intended. The review process will also take into account the changes adopted by the ARTF since the last review. The review will take into account, the ongoing impact evaluations of different projects, the ongoing World Bank’s Independent Evaluation Group (IEG) review of the Bank program, the recent and independent assessments of the fiduciary framework or the consultation with stakeholders on the governance arrangements of the fund.

13. The review will be structured as follows: (A) Stocktaking: what has been the role and impact of the ARTF in Afghanistan? (B) The Afghan Transition – what does it mean for ARTF? (C) Is ARTF appropriately set-up to meet the needs of Afghanistan in the coming period?

A. Stocktaking: what has been the role and impact of ARTF in Afghanistan?

14. Before looking to the future, the review will consider the role and impact of ARTF in Afghanistan to date. The ARTF has grown in volume and scope over the last ten years. Previous reviews have demonstrated that it has been able to deliver smooth implementation with some key results. It is important that the review unpack the ARTF’s evolution, to understand how, why and in which areas ARTF was able to play a positive role, despite the tough context. The key factors driving this need to be understood: what was the role of key projects in shaping the broader program? What has been the impact of the positioning of the ARTF within the World Bank structure, the ARTF decision-making structures and the role that key government counterparts have played over time? More broadly, how has the broader political economy of the Afghan engagement influenced the ARTF and its direction?

15. This section will also take stock of ARTF impact across broad thematic areas including rural development and access, recurrent cost financing and reform, service delivery, and capacity development. To do this, it will make use of the ongoing work to review impact both through impact evaluations (e.g. NRAP & NSP), and the IEG which is currently undertaking a portfolio wide review of the Bank & ARTF’s engagement in Afghanistan. It will also draw on reviews undertaken by bilateral donors and will undertake interviews with donors, government and technical experts in the World Bank. In short, as much as possible, the review team will base its consideration of ARTF results and impact on existing work.

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12 The Special Inspector General for Afghanistan Reconstruction undertook two audits in 2010/11: one on the National Solidarity Program and the second on the overall fiduciary framework for ARTF. The EU took advantage of its agreement with the World Bank to undertake a Verification Mission on the ARTF and LOTFA in 2010. The mission focused on the fiduciary framework of the ARTF, with a special focus on three investment operations.

13 On the basis of the last external review, a number of governance changes were extensively discussed and agreed by donors, GIRoA and the Bank, and approved by the World Bank Board of Executive Directors in February 2011. These changes have begun to be implemented but have not yet been fully institutionalized because some key donors have yet to agree the amendments to the Standard Terms and Conditions (STCs) required to put the reforms into practice. Therefore, it is too early for this external review to assess the effectiveness of the changes agreed and therefore it will be difficult to consider additional governance changes in this review.
16. To the extent possible, the external review team will assess whether donor funds were spent efficiently and effectively through the ARTF, both in absolute terms as well as relative to other modalities (UN mechanisms, bilateral programs, PRTs etc. in Afghanistan). This “value for money” analysis will focus on the major ongoing sectors where the bulk of ARTF funds have been spent and will continue to be channeled as per the ARTF Financing Strategy. These could include: the recurrent cost component (including the Incentive Program), the National Solidarity Program, the National Rural Access Program, the EQUIP program or others as agreed at the review of the initial proposal. The assessment will look at the following:

- Outputs: An analysis of project results against the baselines and indicators set out in project documents, including an economic analysis of select key projects as deemed necessary by the external reviewers. How is the implementation of the ARTF portfolio tracking according to its own measures?

- Costs (at two levels): Level one - the cost of going through the ARTF itself vs. other funding channels including carrying out projects bilaterally or with other agencies. Level two – the unit costs in the projects (a school, a km of road, rural infrastructure) versus other implementation modalities or agencies. Is the ARTF an efficient mechanism and how does it compare in relation to other options available to donors?

- Outcomes: An analysis of the ARTF’s targeted outcomes, level of ambition given the scale of pooled resources and the ‘logic of change’ in the project and portfolio design. It will also assess the methodology for measuring impact and outcomes. Is the ARTF an effective tool to deliver on core development objectives?

17. In addition to project level analysis, the assessment will need to review value at a higher level. This is important. ARTF is not just for financing projects – its broader objective (as agreed by its donors on the World Bank Board of Directors) is to build the relevance and capacity of state institutions in Afghanistan by channeling funding through a national budget, with national development objectives. A second critical objective was to achieve greater simplification and transparency of the international reconstruction effort in Afghanistan, through offering donors an option to pool resources in a common fund with a single oversight and reporting framework. This ‘meta’ level of assessment of the ARTF has been tracked annually since 2004/5 using the indicators in the Performance Assessment Matrix (PAM) covering public finance management, public administration reform, aid effectiveness, education and health.

18. The review will also identify where ARTF has not been able to play as an effective role, or where it has tried without real success. Identifying the weaknesses of the instrument is important to understand what can be asked of it in the future.

19. The review will assess the extent to which the recommendations of the previous evaluations have been adopted, including those related to cross-cutting issues, such as gender, governance and the environment and whether these have had a positive impact. The evaluation of the ARTF’s impact on gender issues is of particular interest to donors.

20. Looking ahead, the review will consider the monitoring and reporting of results, and the use of impact evaluations and value for money/ERR analysis.
21. Finally, segment A will assess the functioning of the existing governance arrangements of the ARTF, including the Steering Committee, the Incentive Program working group and the Strategy Group. The team will assess the effectiveness of the current arrangements, the degree to which they are able to add to constructive, technical and focused engagement by ARTF donors with the Afghan government, and the ARTF Administrator keeping in mind the points made in footnote 4 above. The review team will also consider these bodies within the context of the larger aid coherence arrangements in Afghanistan.

B. The Afghan Transition – what does it mean for ARTF?

The Afghan transition – while in some senses a normalization – will in fact have a major impact on development needs and the posture of development actors in Afghanistan over the coming period. The ARTF – established as a vehicle to pool and channel funds through government systems to finance critical services and rural infrastructure – should be well-positioned to support transition. However, declining aid flows may mean hard choices and trade-offs in the portfolio’s strategic orientation. The review team will be asked to draw on the findings of the recent World Bank study: “Transition in Afghanistan: 2014 and beyond”. The question of ARTF relevance and strategic fit will require a look both at the current and projected balance and weighting in the ARTF Financing Strategy between the three windows: recurrent costs, reform (Incentive Program or IP) and development financing, as well as the composition of each of the windows.

22. The review will pay particular attention to the implications for the ARTF of the fiscal burden during the course of transition. The current phased decline of ARTF Recurrent Cost window baseline support (by US$25m per annum) is based on the assumption of a closing fiscal gap over time, and the continued shouldering of Afghan national security force costs by the international community (through LOTFA and other mechanisms).

23. Underpinning a successful transition is a set of key policy agendas – the IP potentially has a key role to play in coordinating and incentivizing parts of this dialogue, especially on issues of economic governance. The review should determine the extent to which the IP sufficiently supports these development priorities and the reform agenda. The IP faces many pressures – from both government and donors – and the review can helpfully define practical operational guidelines that can support an effective program.

24. On the development side, the team should evaluate and map the extent to which both the SY1391-1393 Financing Strategy, and its component programs, align with the Government’s National Priority Programs (NPPs), including crosscutting themes such as gender, environment and governance. The mapping will necessarily consider how gaps are filled by other instruments, particularly LOTFA, AITF, the UN system and bilateral programs. The review may consider where the ARTF could scale up - or down – its operations to improve its relevance and effectiveness, based on comparative advantage and, critically, Afghan government capacity to formulate and implement programs.

25. Since a key indicator of the relevance of the ARTF is its capacity to respond flexibly to changing priorities and demands in the lead-up to and beyond transition in 2014, the review team will consult closely with the Government of Afghanistan in assessing the ARTF’s relevance and responsiveness. However, it is worth noting that, to a certain extent, donor and government pressures and agenda have led over time to a portfolio
expansion into new areas with, in some cases, with associated declines in portfolio quality. The review will need to assess mechanisms to prevent future declines in quality and the costs and benefits of expansion versus consolidation in the ARTF portfolio.

26. Finally, the recent attention on the economics of transition in light of potential reductions in aid volumes has put sustainability front and centre. In particular, the scale of off-budget investments, in absolute terms and relative to those made through the budget, has implications for future O&M expenditure by the Afghan government that is not currently budgeted. Although this issue goes beyond the ARTF, the ARTF is already playing a role on O&M, through its financing of recurrent (including O&M) and development costs, as well as through its policy window. The review could usefully consider how the ARTF evolves in this regard and whether it can play a more central role in addressing the question of O&M and sustainability. The review should also consider what level of continued donor support is needed to support successful ARTF outcomes.

C. Is ARTF appropriately set-up to meet the needs of the Afghan transition?

27. Over time, the World Bank country office in Kabul has expanded with greater numbers of international technical staff now working on the ground than ever before. This is in line with both previous reviews of ARTF which have advocated for increases in the administration fee to pay for an increased Bank staff presence to manage the expanding ARTF portfolio. With changes expected in Afghanistan in 2014 and beyond, donors appear to be reviewing their own funding, focus, agency presence and posture on the ground in Afghanistan. This will have implications for their own ability to manage and oversee investments. One possible scenario is a shifting of responsibilities towards multi-donor mechanisms with potential for efficiencies in security, management, administration, reporting and fiduciary oversight. Bearing in mind that different scenarios could unfold, the team will consider the financial and human resources requirements for the Administrator in preparing and supervising the ARTF portfolio in light of the proposed program. It should also assess the ARTF’s current and potential future use of third parties or alternative implementation/supervision platforms.

28. In assessing the effectiveness and institutional set up, the review objective will be to consider how to sustain and/or improve ARTF effectiveness in the future, given the broader evolution of the ARTF and the context. To do that the review will consider the following operational parameters:

- The ARTF as a financing instrument: decision-making, speed of delivery, efficient disbursements, transparency & efficiency, the effective application of environmental and social safeguards policies, conflict sensitivity, portfolio size, scope and weighting. The ARTF fiduciary framework has been closely assessed in recent years through SIGAR and others – this aspect will not be a focus of the review.

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14 Agreement has now been reached to raise the ARTF admin fee from 1.5% to 2.0% - but the new fee has yet to be implemented.
• The ARTF role in monitoring and supervision: does the ARTF provide an effective vehicle for overseeing its investments? In this regard, the review can assess the ARTF's ability to measure results from investments in its programs, including through an examination of the first year's activities of the new ARTF supervisory agent and consideration of its future focus.

• The ARTF as a vehicle for aid effectiveness: how effective is the ARTF in providing a platform for donor coherence, alignment, government ownership, the role of the Financing Strategy, particularly in light of the ongoing practice of preferencing.

Part II: The Review Process

29. Management of the Review Process: The day to day management of the review process is the responsibility of the World Bank, shared jointly between the Afghanistan Country Management Unit and the Centre for Conflict, Security & Development (CCSD). ARTF donors, represented by the Strategy Group are expected to play an active role and will be consulted at key points in the process to review products as they are delivered. This includes input into and approval of the ToRs.

30. As in the previous external reviews of the ARTF, the core review work will be contracted out to an outside firm or team. The team will be fully responsible for undertaking all segments of the review set out above, including the stocktaking, the assessment, and the drafting of the final report. The external team will be responsible for the presentation of the findings in a series of consultations.

31. Having approved the ToR, the ARTF Strategy Group will approve the Review Proposal of the external team before the core work starts. The Strategy Group will also review the draft report before it is finalized by the external team. Keeping in mind the pressure of upcoming conferences, the external team will provide, as appropriate, an interim report.

32. CCSD will be responsible for putting in place a Contact Group of experienced current and former World Bank staff and others with experience in the management of multi donor trust funds in fragile and conflict affected countries. The Contact Group will be virtual and will consist of no more than 5 key members. The Contact Group will:

• Ensure the review is linked in with World Bank-wide review of operational policy and practice in fragile and conflict affected countries and encourage the integration of lessons learned from other fragile and conflict-affected country transitions and multi-donor trust funds into the review.

• Provide comments on the written deliverables.

• Participate in some of the consultations with the ARTF Strategy Group.

33. The Review Process: The review will be carried out in three stages. In stage one, the external team will draft the Review Proposal, including a fully developed methodology for the value assessment, and the parameters of the stocktaking. Stage one will conclude no later than May 1 with the approval of a Review Proposal by the Strategy Group. During stage two (May) the external team will undertake a mission to Afghanistan to carry out a range of interviews with beneficiaries, donors, the Afghan government as well as with the World Bank technical and management teams. The team will meet with the ARTF donor group to consult on arrival and on wrapping up their mission and to
present to donors interim findings of the review. There will also be possibilities for consultation by video-link before and following the mission. Stage two will conclude with the submission of an Interim Review Report. The report could be either in the form of a (detailed) PowerPoint presentation or in a word document. In stage three, the external team will finalize and share the review documentation as well as undertake a series of presentations to disseminate and consult on findings in preparation for the Tokyo Conference and at the latest by June 20. Final delivery of a written report is July 30. The Contact Group will be involved throughout the process.

34. It is expected that while the final product will be a written report, a series of consultations led by the external review team will play an important part in testing and disseminating findings throughout the process as well as in the run-up to the Tokyo Conference. This schedule of deliverables is extremely ambitious and will need to be confirmed by the external firm in consultation with the Bank and the Strategy Group.

35. **Team:** The overall review process will be coordinated by a World Bank staff (the review manager) sourced from the CCSD. In close coordination with the Kabul-based Country Management Unit (CMU), the review manager will be responsible for:

- procurement of the external review team;
- the overall review process schedule;
- the establishment and functioning of a Contact Group of World Bank experts;
- managing the quality of the final product, for example in ensuring that it responds to the agreed ToRs, is delivered on time, and in accordance with high quality standards;
- managing dissemination and consultation.

36. The composition of the external review team will be approved as part of the Review Proposal. It is expected that the consulting firm would ensure a team consisting of:

- Team leader. The team leader will be responsible for drafting and presenting the findings of the review. S/he will lead the development of the parameters of the stocktaking exercise and the methodology of the value for money assessment.

- Expert in Public Finance / Economics / Institutional development. The expert will take the lead in the assessment of the ARTF in light of the economic and fiscal outlook. S/he will also lead in the review of the IP.

- Expert(s) with experience in gender mainstreaming/environmental and social safeguards/conflict as required.

37. The composition of the Contact Group will be approved as part of the Review Proposal.

38. Funding for the review will be provided through the AusAID TF in agreement with the World Bank.
Annex B: List of Informants

**Government of Afghanistan Officials and Advisers**

**Ministry of Finance**
Dr. Hazrat Omar Zakhilwal, Minister of Finance
Mr. Mohammad Mustafa Mastoor, Deputy Minister of Finance
Mr. Alhaj Muhammad Aqa, Director General of Treasury
Mr. Adris Walli, Aid Coordinator, Aid Management Directorate, Directorate-General Budget
Mr. Khalid Payenda, Sr. Advisor to the Minister
Mr. Paul Banerjee, Principal Adviser to the Deputy Minister for Finance, Adam Smith International

**Ministry of Rural Rehabilitation and Development**
Mr. Abdul Rahman Ayubi, Director of Operations, National Solidarity Program

**Ministry of Education**
Dr. Seddiq Weera, Special Adviser (EQUIP project)

**Ministry of Public Health**
Dr. Ghulam Sarwar Hemati, Head of Grant Contracts and Management Unit (GCMU), Procurement Directorate (SHARP project)

*Adviser to the Presidency*
Mr. Ashraf Ghani, Chair, *Transition Coordination Council*

**Other Informants, Afghanistan**
Mr. Dilip Mandal, Deputy Director (International), *ARTF Monitoring Agent*
Mr. Pradeep Raj Nepal, Audit Expert (International), *ARTF Monitoring Agent*
Mr. xxx, *Afghanistan Analyst Network*
Ms. Chona Echavez, Deputy Director, Research, *Afghanistan Research and Evaluation Unit (AREU)*
Mr. Mir Ahmad Joyenda, Deputy Director, Communications and Advocacy, *AREU*
Mr. Royce Wiles, Coordinator, Information Resources, *AREU*
Ms. Hassina Sherjan, Founder/CEO, *Aid Afghanistan for Education*
Ms. Seema Ghani, Executive Director, Secretariat, *Independent Joint Anti-Corruption Monitoring and Evaluation Committee*
Mr. James K. Weeks, Chief of Party, ARTF Supervisory Program, *International Relief and Development*
Mr. Steven Yahn, NSP-NERAP QA/QC Team Lead, ARTF Supervisory Program, *International Relief and Development*

Mr. David Hinkle, Geospatial Systems Manager, ARTF Supervisory Program, *International Relief and Development*

Captain Ronald Blok, Netherlands Navy, Planning Unit, *International Security Assistance Force*

Mr. Philip Abbey, Special Adviser, Planning Unit, *International Security Assistance Force*

Mr. Yama Torabi, Executive Director, *Integrity Watch Afghanistan*

Mr. Andre Beath, Young Professional/Consultant, *NSP Impact Assessment*

**Other Informants**

Mr. Joseph Saba, former Country Director, World Bank, *Washington DC*

Mr. Scott Guggenheim, Rural Development Specialist, AusAid, *Indonesia Country Office*

**Donor Officials, Afghanistan**

Mr. Joji Tokeshi, Country Director, *Asian Development Bank*

Mr. Paul Lehman, Minister Counselor, *Embassy of Australia/AusAid*

Mr. Matthew Williams, Counselor, *Embassy of Australia/AusAid*

Mr. Darian Clark, First Secretary, *Embassy of Australia/AusAid*

Mr. Doug Williams, Head of Aid, *Embassy of Canada*

Ms. Jennifer B. Myles, First Secretary (Development), *Embassy of Canada*

Ms. Mary Hunt, Acting Head, *DFID Afghanistan*

Mr. Richard Boulter, Team Leader, Growth & Livelihoods Team, *DFID Afghanistan*

Ms. Jill Fletcher, Statistics Adviser, *DFID Afghanistan*

Mr. Kristian Orsini, Deputy Head of Operations, *European Commission*

Ms. Micha Ramakers, Head of Finance and Contracts Section, *European Commission*

Mr. Helmut Fischer, Counselor for Development Cooperation, Humanitarian Aid and Economic Affairs, *Embassy of Germany*

Ms. Mandy Zeckra, Project Manager, KFW Development Bank, *Embassy of Germany*

Mr. Makoto Mastauda, Director, Afghanistan Assistance Planning Division, *Embassy of Japan*

Mr. Matsunoria Ashida, First Secretary, *Embassy of Japan*

Mr. Nils Haugstveit, incoming Ambassador, *Embassy of Norway*

Ms. Grethe Løchen, Counselor, *Embassy of Norway*

Mr. Anders Wirak, First Secretary/Education, *Embassy of Norway*

Mr. Yang Guanda, Second Secretary, *Embassy of the People's Republic of China*
Mr. YLi Xiang, Third Secretary, *Embassy of the People’s Republic of China*

Ms. Eidi Genfors, First Secretary, *Embassy of Sweden*

Mr. Stephen A. Hill, Chief Financial Officer, Coordinating Director for Development and Economic Affairs, *Embassy of the United States of America*

Mr. Peter F. Mulrean, State Department Director, Deputy Inter-Agency Coordinator, Inter-Agency Provincial Affairs, *Embassy of the United States of America*


Ms. Peggy Walker, Deputy Coordinating Director for Development and Economic Affairs, *Embassy of the United States of America*

Mr. Arnault Serra-Horguelin, Civil Affairs Officer, Office of the Deputy SRSG-Development Coherence, United Nations Assistance Mission in Afghanistan, *United Nations*

Mr. Satar Salim, Head of National Coordination Unit, *UN Office for Project Services*

Mr. S. Ken Yamashita, Ph.D., Mission Director, *USAID Afghanistan*

Mr. Timothy A Sikes, Deputy Director for Strategic Planning and Coordination Office of Program and Project Development (OPPD), *USAID Afghanistan*

**World Bank Staff**

Mr. Bob Saum, Country Director for Afghanistan and Bhutan, Afghanistan Country Office (ACO)

Ms Josephine Basinette, Country Manager, ACO

Mr. Illango Patchmuthu, Operations Manager, ACO

Ms. Ditte Gammelsgaard Fallesen, Operations Officer, Country Management Unit, ACO

Mr. Hugh Riddell, Senior Operations Officer, World Bank’s Global Center on Conflict, Security and Development (GCCSD), *Nairobi*

Ms. Samantha de Silva, Country Sector Coordinator, Education, Health and Social Protection, ACO

Mr. Richard Hogg, Governance Adviser, ACO

Mr. Richard Spencer, Infrastructure Sector Leader, ACO

Mr. Paul Edwin Sisk, Financial Management Specialist, ACO

Ms. Guillemette Jafrin, Senior Private Sector Development, ACO

Ms. Claudia Nassif, Senior Country Economist, ACO

Dr. G. Sayed, Senior Health Specialist, Afghanistan Country Office, ACO

Mr. Luquan Tia, Senior Transport Specialist, Transportation/NERAP, ACO

Mr. Camilo Gomez Osorio, Economist
Mr. Aman Farahi, Operations Analyst, HD Unit, Education/Health, ACO
Mr. Mohammed Tawab Hashemi, Health Specialist, ACO
Mr. Abdul Hameed Khalili, Operations Analyst, Sustainable Development Sector, ACO
Ms. Palwasha Mirbacha, Operations Officer, HD Unit/Education, ACO
Mr. Abdul Hameed Khalil, Consultant, NERAP, ACO
Annex C: Documents Consulted

**Government of Afghanistan**

*Supporting Self-Reliance in Afghanistan, Strategic Vision for the Transformation Decade*, 16 May 2012

*Towards a Self-Sustaining Afghanistan, An Economic Transition Strategy*, 29 November 2011


Mastoor, Mustafa (Deputy Minister for Finance): “Cluster Bankable Programmes Budget Process and ARTF”, presentation


Ministry of Finance (2012): Provisional Budgeting Pilot Concept Note, February 2012


NPP (2011): “E-Afghanistan”, Private Sector Development Cluster (Ministry of Communications and Information Technology), May 2011


NPP (?): “National Rural Access Program (NRAP)”, Agriculture and Rural Development Cluster, (Ministry of Public Works, Ministry of Rural Rehabilitation and Development, Ministry of Finance)

NPP (?): “Integrated Trade and SME Support Facility”, Private Sector Development Cluster (Ministry of Commerce and Industry)

1391 Provincial Budget Process, October 2011

1389 Budget Execution and the 1390 Draft National Budget, ARTF, 30 March 2011

Framework and General Documents


Australian Aid (2012): Australian Multilateral Assessment March 2012 World Bank
Azarbaijani-Moghaddam, Sippi (2010): “A Study of Gender Equity through the National Solidarity Programme’s Community Development Councils”, Final Report, Funded by: Canadian International Development Agency (CIDA)/Swiss Agency for Development and Cooperation Implementing Agency: Danish Committee for Aid to Afghan Refugees (DACAAR), 2010


Letter from Donors (2012): “Opportunities to Strengthen Donor Engagement in the ARTF” Summary, January 2012


Tokyo Conference on Afghanistan (2012): The Tokyo Declaration Partnership for Self-Reliance in Afghanistan From Transition to Transformation, 8 July 2012


World Bank Documents

Afghanistan Reconstruction Trust Fund Audit Letter to Donors, SY 1389 Audit Reports of ARTF-financed Activities, 11 December 2011

Afghanistan Reconstruction Trust Fund Audit Letter to Donors, SY 1388 Audit Reports of ARTF Financed Activities, 1 December 2010

Implementation Completion Reports (ICR):

ICR (2010): Health Sector Emergency Reconstruction and Development Project, 31 March 2010
ICR (2005): Programmatic Support for Institution Building, 16 September 2005

Implementation Status and Results Reports (ISR):

IDA and IFC, Interim Strategy Note for Islamic Republic of Afghanistan for the Period FY12-FY14, 09 March 2012


Transition in Afghanistan II (2012): “Maintain Progress in the Decade of Transformation, 1 April 2012


World Bank (2011): Capacity Building for Results, Technical Presentation by World Bank, 16 September 2011


ARTF Management and Program

Afghanistan Reconstruction Trust Fund, Annual Report, 21 March 2011 to 19 March 2012

ARTF, Annual Report, 21 March 2010 to 20 March 2011

ARTF, Administrator’s Report, Presentation to the Steering Committee, 16 September 2011
ARTF, *Administrator’s Report*, Presentation to the Steering Committee, 2 July 2011
ARTF, *Administrator’s Report*, Presentation to the Steering Committee, 30 March 2011
ARTF, *Financial Status*, Presentation to the Donor Committee, 22 September 2010
ARTF, *Aide-Memoire*, “Afghanistan National Solidarity Program (NSP)”, 24 August-4 November 2010
ARTF, *Incentive Program*, “Supporting a Government-led Reform Agenda: Results from the first two rounds”, London UK, 29 January 2010
Note to the Donors (2011): ARTF Results and Pipeline, July 2011

A draft proposal to Government and ARTF Donors, “Pilot: Enhancing ARTF Support to O&M”, 29 February 2012

Report, Third Quarterly SY1390: September 20, 2011, to December 20, 2011


Report, First Quarter SY1390: March 21, 2011, to June 20, 2011

Report, Third Quarter: September 22, 2010 to December 21, 2010


Report, First Quarter SY 1386: 21 March 2007 to 21 June 2007
Annex D: National Solidarity Program, NSP

The National Solidarity Program (NSP) is a community driven program executed by Afghanistan’s Ministry of Rural Rehabilitation and Development (MRRD), with funding from the World Bank, the ARTF, Japan and other bilateral donors. It is implemented through 29 Facilitating Partners (FPs), local and international NGOs, on the local level. The NSP covers 361 districts in all of Afghanistan’s 34 provinces and has financed over 50,000 development projects. It is currently in its third phase, with an expected end date of September 2015.

NSP is structured around two major village-level interventions:

1. The creation of a gender-balanced Community Development Council (CDC) through a secret-ballot, universal suffrage election; and

2. The disbursement of grants, up to a village maximum of USD 60,000, to support the implementation of projects selected, designed, and managed by the CDC in consultation with the village community.

NSP thus seeks to both improve the access of rural villagers to critical services and to create a structure for village governance centered on democratic processes, including the participation of women.

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Box D.1: World Bank Evaluation of the NSP

The World Bank’s Independent Evaluation Group (IEG) carried out an evaluation of the Bank’s entire country portfolio, including activities funded under the ARTF.

The simple design of NSP has ensured a high disbursement rate, increasing the attractiveness of the program, increasing donor tolerance for the relatively high 28 percent spent on the facilitating partners and administrative costs. It is highly unlikely that the Government or donor partners will agree to continue this level of funding for nationwide coverage by a second round of NSP grants, given the realization that overall aid levels might shrink after 2014. Either the size of the second grant needs to be reconsidered or the program will result in unequal entitlements to different villages, a risky strategy in a conflict environment.

The evaluation notes that while the recognition of CDCs as the lowest tier of local government is under consideration, in the absence of linkages to other levels of sub-national governments the goal of locking in local governance at the village level through the NSP cannot be achieved.

The evaluation’s main recommendation with regards to the NSP was to assist GIRoA in transforming NSP into a more sustainable financial and institutional model to consolidate its gains. This entails: scaling down the size of the second grant under NSP III to a level where the benefits can be shared more widely and equitably; and linking the CDCs to higher tier(s) of sub-national government with regular inter-governmental fiscal transfers that can be sustained by the government.


According to NSP’s Operational Manual (2009), NSP consists of four core elements:

- Facilitation at the community level to assist communities establish inclusive community institutions through secret ballot and democratic elections; reach consensus on priorities and corresponding subproject activities; develop eligible subproject proposals that comply with NSP appraisal criteria; and implement approved subprojects;

- Building the capacities of CDC and community members (both men and women) in participation, consensus-building, accounting, procurement and contract management, operations and maintenance, and monitoring;
• Providing direct block grant transfers to fund approved subprojects; and
• Linking CDCs to government agencies, NGOs, and donors to improve access to services and resources.

Box D.2: Supervisory Agent Performance Reporting on the NSP

The Supervisory Agent contract with the IRD began September 2011, with the pilot phase running for one year before a two-year full implementation extension was put in place. By mid-2012 the first two quarterly supervision reports had been produced. For the second report, the IRD had inspected 135 NSP projects in 18 provinces as against 67 projects in 9 provinces in the first quarter. During the third quarter of the contract the NSP monitoring was to be expanded to include all 34 provinces in the country.

IRD found the overall quality of power projects under NSP generally to be excellent, excluding diesel power projects. Solar panels were still in excellent condition after years of use and micro-hydro plants are sources of pride for both the contractors and communities. Projects geographically closer to government centers had fewer deficiencies than projects further away. Perhaps more important was that they did not encounter any false claims of projects supported by the NSP.

The communities themselves were particularly positive about micro-hydro plants, solar panel distribution, pathway construction, community centers and water well projects. These highly sustainable projects have shown to be the most successful.

Communities generally associate failures with corruption as opposed to limited budgets or expertise. One exception was a community where protection walls collapsed and which the community claimed was because NSP misused their budget, but in fact the community itself tried to construct the wall as cheaply as possible to save money.

The IRD Recommendations:

The NSP program does not have a maintenance component, and therefore does not have a mechanism to fund repairs if a project fails within the first year. It is recommended that NSP helps the communities/CDCs organize and manage a collection system for maintenance funds for infrastructure investments.

The NSP program should expand their specifications, especially the electrical specifications. As well as adapting the International Building code for their standards for all vertical structures and electrical code, adapt the specifications of the MPW for all road projects and adapt the specification from the Ministry of Power and Energy for all irrigation and power projects.

The NSP projects that were visited are complete, it can be difficult to obtain certain information. It would be helpful if cost information, number of beneficiary families, and the name of the contractors were provided to IRD so that more detailed trend analysis could be conducted. In most cases ministry staff were cooperative in providing project data showing basic information such as location, contractor name, start and end dates etc. However, much of this data was out of date or subject to significant error. The recurring observations:

• Poor workmanship on the Transportation projects.
• Provide onsite mentorship to the workers actually doing the work.

International Relief and Development (IRD), 2nd Quarterly Report Dec 2011-Feb 2012

General Progress:

As of 30 April 2011, the first two phases of the NSP (NSP I &II) had reached 23,180 communities, approved about 57,300 sub-projects, of which 45,684 had been completed. In addition, about 18,800 CDCs had fully utilized their block grants. Since becoming effective early October 2010, NSP II made significant progress in rolling out into the new communities. As of April 2011, about 6,200 communities were contracted to the respective FPs and 6,206 sub-projects were approved. This brought the cumulative number of communities that received the first block grant under the NSP to 26,000, out of the estimated 40,000 communities existing in Afghanistan.
Box D.3: NSP and Gender

The recent *A Study of Gender Equity through the NSP’s CDCs* (Danish Committee for Aid to Afghan Refugees), confirms much of what was suspected about suppression of females in society, but it also gives hope with some changing opinions among the more educated, young males (and females) in rural Afghanistan. The study covered samples from 11 districts in 7 provinces, where the main ethnic groups covered were Pushtuns, Tajiks followed by Hazaras and Uzbeks. Among the findings:

NSP has provided a unique opportunity for women to participate in the development process from a government-sanctioned platform, allowing women to gather and discuss their development priorities within a formal framework and have their concerns taken seriously. This has had profound impact on certain individuals and communities.

The NSP program is the only project that systematically addresses the gender issue, raising awareness about gender equality and women’s rights. The CDCs may be the best entry point to further promote gender awareness and slowly change the situation for the better. To do this, however, NSP has to improve and also enforce the gender aspect of the NSP program.

NSP has provided many women with the possibility to learn skills or become literate. Infrastructure projects have changed the quality of life for women and men in communities across Afghanistan. The study found, for instance, that women have been working on community solidarity for hundreds of years, but today some of their roles are gradually disappearing as communities modernize. They are finding new roles as teachers, doctors and community representatives but the male attitude is almost unanimously that women have or should have no role.

Overall, pressure for men to be masculine in performing gender roles limits women’s mobility, decreases their confidence, limits information, denies them control of funds and leads to interference in women’s activities. These all hinder the achievement of gender equity in NSP. Women often lack experience and need much more time and training to improve their capacity to engage with and manage the development process in their community.

The quality of women’s leadership is critical and impacts not only the type of women’s group that is created under NSP but also the lives of women and girls in the community. Good leaders try to ensure that the women in their group and in the village understand better what is happening but to do that they need good information.

Some CDCs agree that NSP training has familiarized women with issues that enable them to participate more effectively in community life by meeting and discussing. Where active women in communities were looking for an opportunity to take some sort of leadership role and handle projects in the community, NSP gave them this opportunity and the FP helped them build a platform. But seeing gender as a women’s issue has meant that gender programming has often been reduced to a number of small capacity development projects and women’s participation in meetings during various phases of the NSP process – an important first step but only a first step. Among groups interviewed, Uzbeks, Hazaras and Tajiks had the most positive attitudes to women gathering while Pushtuns were more negative. Many men in non-Pushtun areas have no problems with women gathering in groups if they achieve tangible results and in some cases with NSP, they did.

NSP has impacted the lives of women in many different ways. An unprecedented number of women have been exposed to NSP and the ideas it espouses. Much was made throughout the interviews of women being able to gather in groups for the first time or more frequently as a result of NSP.

To date, the involvement of women in NSP mostly seems to have stalled at the tokenism and non-participation end of the ladder with a small number showing strong female participation. In fact, in a small number of communities (5% of groups interviewed) there had been no mobilization and training of women whatsoever even though records indicated that there ought to be a women’s group. Male leaders would gather women and present them to outsiders in order to receive the ‘goodies’.

The scale of the problem within the sample interviewed indicates that FPs, and by extension NSP, either have been ignoring these tendencies or been ignorant of their existence. FPs may not be using effective methods for facilitation and mobilization of women and men or may require more time. There are exceptions where community men assist women to solve problems and to participate.

*Nangarhar Men: “Culture has changed – reaction to seeing women alone in town have changed. We have changed, we’ll change some more”.*
NSP Phase I (2003 - 2007):

The Programme covered around 17,300 communities. It should be noted that the work in around 10,000 of these communities was not completed during this period and was extended into NSP II.

NSP Phase II (2007 – 2011):

In addition to the work carried forward from NSP I, NSP II funded the rollout to an additional 6,000 communities bringing the total rollout to around 23,200.

NSP Phase III:

This is the third phase of the NSP and is currently approved for the period from October 2010 to September 2015. It has two key sub-phases:

- The rollout to cover the remaining estimated 16,000 communities nationwide with a first block grant, bringing the total number of communities to around 39,200; and
- The rollout to a select 12,000 communities that have satisfactorily utilized their first block grant with a second (or “repeater”) block grant.

Box D.4: Gender and Community Goods

The study referred in box D.3 notes that NSP projects often create community goods as a culmination of the development process. Women may use these goods but feel no sense of ownership. If they are denied access they have no power to argue for their rights and they have little or no say in the maintenance and security of community goods. In short, women may be involved in the NSP process to choose a project but may not have access to and control of the result. Where community goods are shared it is men who decide on usage, repair and security issues, unless they believe that the responsibility lies with government.

Perceptions of ownership and control of community goods is a challenge because after it is built it is often taken over by the elite once the FP withdraws. In one case in Gardez, elite women forced other women to pay for solar power. In a number of cases after wells were built wealthier people walled them off from the rest of the community.

There are ways to try and ensure that women, especially those from vulnerable categories, get access to community goods. Solutions that were seen included forming terms and a contract, which is arbitrated by a neutral authority beyond the confines of the community. If there is conflict over usage the individual or body can be applied to for arbitration. In terms of ownership of community goods, there are items that women can control. These include productive equipment such as looms, which can be owned and rented from the women’s group and used by many households, rather than donated to individuals. Equipment for celebrations such as chairs, plates, etc. can also be owned and rented out by a group of women giving them a form of community good to control and maintain.

Paktia Women: “When women do not even own their own bodies how can they own community goods? They do not own anything.”

Paktia Young Men: “When we see women in Gardez who work and get a 600 dollar salary and even have body guards, a vehicle and other things naturally we are human and we would like our women to have the same. The new generation wants even more than the old generation who stayed illiterate and cannot do anything.”

Jawzjan Woman: “I was a teacher. I put make up on. Everyone especially my husband’s family would say ’You married a loose woman who does not cover [herself]. But my husband promised me that if I did my own thing he would deal with people. Eventually people came and told my husband we will pay you double your wife’s salary if you are not man enough to earn a living but don’t let your wife leave the house and earn a living. But now as time has passed others have learnt, especially the man who said this to my husband.”
Reports:

Monthly program and status reports from 2008, as well as quarterly reports have been produced and are openly available on the NSP website: [http://www.nspafghanistan.org/](http://www.nspafghanistan.org/).

However, quarterly reports have only been published on their website as of SY1389 (around March 2010), so the numbers given are from when the project had already gone through Phase I and well through Phase II starting on Phase III of the NSP.

The general consensus is that NSP is progressing well even though there are significant delays in 7-15% of the sub-projects, partly due to natural causes (heavy rains/cold weather), partly because of conflicts within the communities and low capacity or weak follow up from the FPs. The evaluation report by the World Bank’s Independent Evaluation Group (IEG) of the World Bank program in Afghanistan and the two first quarterly reports by the Supervisory Agent *International Relief and Development* (IRD) provide positive feedback on the NSP progress as well as explaining the reasons for delays (see text boxes D.1 and D.2).

What the Data show:

The program has had a phenomenal growth, as shown in table D.1 below:

**Table D.1: Growth in scope and reach of NSP till end April 2011**

<table>
<thead>
<tr>
<th>Activity</th>
<th>NSP I (closed March 2007)</th>
<th>NSP II through April 30, 2011</th>
<th>NSP III through to 30 April 2011</th>
<th>Cumulative NSP I, NSP II and NSP III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communities contracted</td>
<td>17,223</td>
<td>5,957</td>
<td>6,147</td>
<td>29,327</td>
</tr>
<tr>
<td>Communities mobilized</td>
<td>16,914</td>
<td>5,561</td>
<td>4,793</td>
<td>27,268</td>
</tr>
<tr>
<td>CDCs elected</td>
<td>16,502</td>
<td>5,962</td>
<td>4,758</td>
<td>27,222</td>
</tr>
<tr>
<td>CDCs with CDPs</td>
<td>16,263</td>
<td>6,127</td>
<td>4,027</td>
<td>26,417</td>
</tr>
<tr>
<td>Subproject proposals</td>
<td>27,555</td>
<td>23,506</td>
<td>6,309</td>
<td>57,370</td>
</tr>
<tr>
<td>Subproject proposals</td>
<td>26,603</td>
<td>24,449</td>
<td>6,206</td>
<td>57,258</td>
</tr>
<tr>
<td>Subprojects completed</td>
<td>10,410</td>
<td>35,265</td>
<td>9</td>
<td>45,684</td>
</tr>
<tr>
<td>CDCs with completed block grant</td>
<td>1,057</td>
<td>17,727</td>
<td>4</td>
<td>18,788</td>
</tr>
</tbody>
</table>

With regards to the gender dimension, at the end of 2011 35% of CDC members were female, where the number of female CDC members had grown from 90,000 in 2009 to over 122,000 three years later. However, only 4% of CDC office bearers are female, though with major regional variations: from above 60% in Daikundit to zero in conflict affected regions. This picture overall nonetheless represents an important training and formal representational improvement for women.

NSP now has a Gender Department, and the Gender Strategy is now integrated into its Operational Manual. Data on NSP are gender disaggregated, and there are gender indicators in the monitoring framework.

When it comes to the World Bank’s assessment of the program, its Implementation Status and Results (ISR) reports rates the Outcomes so far as **Satisfactory**, though the Risk to
Development Outcome is seen as **Substantial**. Regarding both Government and Bank performance, this is seen as **Satisfactory** in both cases, which is quite impressive given that this is a rural development program with a very wide reach across a country with major security threats and logistical problems.

At the end of NSP I, the achievements as against the original target values also showed a program that was performing much better than expected:

**Table D.2: Achievements of NSP I as against the Project Development Objective (PDO)**

<table>
<thead>
<tr>
<th>Baseline Value</th>
<th>Original Target Values (from approval documents)</th>
<th>Actual Value Achieved at Completion or Target Years</th>
</tr>
</thead>
</table>

**Indicator 1:** Number of Community Development Councils (CDCs) elected.

6,181 (Baseline is output achieved by the ECEPWP by Dec. 31 2004) | 8,334 (i.e. 80% of total number of target villages, which is 10,417). | 16,502

*Within the project period from 01/01/2005 till 03/31/2007, 10,321 CDCs were elected representing 124% achievement of the target of 8,334 for the period*

**Indicator 2:** Number of villages with community development plans.

6,181 (Baseline is output achieved by the ECEPWP by Dec. 31 2004) | 8,000 | 16,263

*Within the project period from 01/01/2005 till 03/31/2007, 10,082 CDPs were developed representing a 126% achievement of the target of 8,000 for the period.*

**Indicator 3:** Percentage of women who participate in CDC elections.

>90% (Baseline is output achieved by the ECEPWP by Dec. 31 2004) | 40% | >50%

*Despite the rigid gender segregation in rural Afghanistan, participation of women in CDC election is often above 40%, and on average, 35% of the CDC reps are female. A key constraint was the difficulty in recruiting local female staff for the FPs.*

**Indicator 4:** Percentage of communities contributing 10% of sub-project costs.

>90% (Baseline is output achieved by the ECEPWP by Dec. 31 2004) | 90% | 100%

*The average community contribution is assessed to be 14.5% equivalent to USD 32 million.*

**Table D.3: Achievements of NSP I as against the Intermediate Outcome Indicators**

<table>
<thead>
<tr>
<th>Baseline Value</th>
<th>Original Target Values</th>
<th>Actuals Achieved</th>
</tr>
</thead>
</table>

**Indicator 1:** Number of villages with completed sub-projects (with certificate of completion)

53 (Baseline is output achieved by the ECEPWP by Dec. 31 2004) | 4,167 (i.e. 50% of number of villages where CDCs are elected). | 10,410

*Within the project period from 01/01/2005 till 03/31/2007, the achievement is 10,357 which is 250% above target of 4,167 for the period.*

**Indicator 2:** Number of families benefited (i.e. in villages that have received at least part of their block grants).

496,833 (Baseline is output achieved by the ECEPWP by Dec. 31 2004) | 1,260,000 | 2,216,917

*Within the project period from 01/01/2005 till 03/31/2007, the achievement is 1,720,084 beneficiary families, which is 138% above target of 1.25 million families for the period.*
The Independent Evaluation Group, in its summary of the overall evaluation of the World Bank’s portfolio in Afghanistan, summarizes the basic results as follows:

Table D.4: World Bank attributable results, National Solidarity Program

<table>
<thead>
<tr>
<th>Results associated with World Bank Goals</th>
<th>World Bank group contribution to results</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank group objective: Strengthen community-level governance and to improve the access of rural communities to social and productive infrastructure and services.</td>
<td>• Four Bank-assisted NSP projects were implemented, two-thirds of the funding coming from the ARTF.</td>
</tr>
<tr>
<td>• Since 2003, NSP has supported 27,360 Community Development Councils (CDCs), and financed 59,629 subprojects, 80% of which have been completed.</td>
<td>• NSP’s facilitating partners obtained funds from other donors to broaden their activities beyond NSP’s scope. The result has been additional services to communities.</td>
</tr>
<tr>
<td>• NSP grants to communities (assisted by facilitating partners) have improved local capacity to manage the planning, rehabilitation and development of basic public infrastructure in rural areas.</td>
<td>• Government and Bank programs are using the CDCs as entry points for other development projects.</td>
</tr>
<tr>
<td>• NSP subprojects are primarily for transport (26%), water and sanitation (24%), irrigation (19%), power (12%), and education (10%).</td>
<td>• The sustainability of NSP will depend on the transition of CDCs into village councils (envisaged under the constitution) a proposal for this transition being currently under consideration by the Government. However, the links with other tiers of local government are still being debated.</td>
</tr>
<tr>
<td>• CDCs have also contributed to building social capital and empowerment of women in rural communities, although results vary across the country.</td>
<td></td>
</tr>
</tbody>
</table>

Annex E: National Rural Access Program, NERAP

The National Emergency Employment Program (NEEP) was launched in 2002. It was established to help increase the access to rural infrastructure for local communities and to provide employment opportunities for rural laborers. According to the 2009 Implementation Completion Results (ICR) report from 2009 NEEP proved to be a good delivery mechanism for transferring purchasing power to rural communities to help re-start the local economy. However, it had less success in directly targeting those most in need of social protection, notably the disabled and women heads of household. A joint mid-term review of NEEP was conducted by the World Bank, ILO and the government of Afghanistan in 2004, where the program was reviewed and it was recommended to be restructured to make a smooth transition to more development-centered assistance in Afghanistan. However, NEEP was not formally restructured until early 2007. The gradual shift in emphasis toward integrated and sustainable rural access led the umbrella NEEP to evolve from a safety net approach to the National Rural Access Program (NRAP). NRAP was to have a more strategic focus on the provision of a rural road access network that will connect households and communities to essential services and markets. The revised objective therefore became the nation-wide quality rehabilitation, reconstruction and maintenance of essential rural access infrastructure using appropriate labor-based approaches, thereby creating short-term opportunities for the rural poor (ICR on National Emergency Employment Program, 17 December, 2009).

NRAP is listed as a joint national priority program that is executed by Ministry of Public works (MPW) for secondary roads and the Ministry of Rural Rehabilitation & Development (MRRD) for tertiary roads. Under the two ministries, the UN Office for Project Services (UNOPS) is responsible for implementation. Project works are contracted to the private sector and communities (so-called level-1 (L1) and L2 contracts). UNOPS provides technical support in developing standards and norms for rural roads, surfacing options and maintenance. In addition, UNOPS supports capacity development of the ministries in procurement, contracting, financial management and monitoring.

The objectives for NRAP are:

- Establish a quality rural road network that connects all villages to basic rural infrastructures and services, such as markets, health care and schools.
- Provide increased employment opportunities through using labor intensive methods and a private sector-led approach for all works.
- Enhance the capacity of communities and the private sector to manage, deliver and maintain public transportation facilities through on-the-job capacity development.

Within the larger NRAP program, the National Emergency Rural Access Project (NERAP) is one of the new projects that was designed to be funded by ARTF and the World Bank. NERAP results are thus largely reported within the larger NRAP context.
Bank-assisted projects to focus exclusively on rural roads (NEEP and NEEPRA) had a combined target to rehabilitate 6,500 km of rural roads; they rehabilitated 4,670 km when the projects closed. The ongoing NERAP project with a rehabilitation target of 3,600 km had, by mid FY11, rehabilitated 1,260 km of rural roads. Taken together these three projects accounted for 60 percent of all rural road rehabilitation over the decade and generated about 8 million days of employment, compared with their original combined target of 9.5 million days.

The Bank made little progress on policy issues. The Government/Bank review of the LIWP and NEEP also drew attention to the absence of an explicit rural development strategy and a cohesive rural transport or an overall transport policy. The Government asked the Bank to prepare a Policy Note on Rural Access. The note submitted in mid-2007 merely repeated the core principles of the National Rural Access Program. There is no record that the note had any impact at central or provincial government levels. It took another four years (when the NERAP project was being appraised) to initiate preparation of a formal rural access policy. It is expected to be completed at the end of 2012.

The Bank and the Government differed on policy issues for rural roads, such as their appropriate width and surfacing, major concerns for a country with a broad range of geological and climatic conditions. Such crucial issues could have been resolved five years ago if a policy paper on rural access had been completed and discussed with the government to reach an agreed policy. The lack of a policy has also been reflected in the inadequate arrangements for maintenance of rural roads. If not addressed successfully this issue remains a threat to the sustainability of all rural roads.


The Independent Evaluation Group, in its summary of the overall evaluation of the World Bank’s portfolio in Afghanistan, summarizes the basic results as follows:

**Table E.1: World Bank attributable results, Rural Roads sector**

<table>
<thead>
<tr>
<th>Results associated with World Bank Goals</th>
<th>World Bank group contribution to results</th>
</tr>
</thead>
</table>
| **World Bank group objective**: Further rehabilitation of rural access roads and provide employment for poor rural households | • Of Afghanistan’s approximately 40,000 km of rural roads 10,000 have been rehabilitated since 2001. Close to 60 percent of this work was done with Bank/ARTF assistance.  
• Provincial Reconstruction Teams (PRTs) and the Commander’s Emergency Response Program (CERP), both financed by the United States, also provided financial support for rural road rehabilitation, together with the Bank/ARTF-funded National Solidarity Program and a few bilateral donors.  
• The Government states it now has the capacity to implement rural road rehabilitation programs itself due to the Bank’s support for staff training.  
• Three rural road rehabilitation projects (NEEP, NEEPRA, and NERAP) were financed by the Bank and the ARTF. Together they rehabilitated close to 5,900 km of rural roads and provided about 8 million days of employment. However, sustainability of rural roads remains a challenge.  
• The Bank and the Government have differed on policy issues for rural roads, such as their width and surfacing.  
• A policy on the width and surfacing for rural roads could have been resolved five years ago when the Government requested Bank advice on rural access policy. The Bank did not respond, and preparation of a rural access policy was stalled. It is being prepared as part of NERAP |


**Development Objectives and indicators for NRAP:**

The development objective of the Project (PDO) is to assist the Recipient in enabling the population living in its rural areas to benefit from year-round access to basic services and facilities through the rehabilitation and maintenance of rural access infrastructures under the Recipient’s National Access Program.
The Project aims to achieve this through three components:

(i) Improvement of Secondary Roads;

(ii) Improvement of Tertiary Roads and;

(iii) Institutional Strengthening, Project Management & Program Development.

**Outcome Indicators:** The key indicators of achieving the PDO are: after completion of the planned road sub projects-

(i) Travel time of beneficiaries living along the improved road to the first available schools, health care facilities and administrative services would be reduced by 30%;

(ii) The number of trips taken by beneficiaries living along the improved road to district centers would increase by 30%;

(iii) Prices of key consumption and production commodities at beneficiary villages would be within 15% of the price in the nearest town.

**Box E.2: World Bank Mid-term Review and Supervision Mission**

A World Bank team carried out a mid-term review of NERAP in April-June 2010, though without visiting project sites due to the security situation. Progress was seen to be behind schedule.

In 2008 various, the setting up of the National Coordination Unit and the hiring of UNOPS as the implementation consultant led to several months’ delay. Further time was lost when, after having prepared the designs for some 30 road sections, the PIUs found that other sources were funding them. Replacement roads had to be agreed upon and the design process restarted. The quality of survey and design work was also poor and often had to be re-done. Procurement has also often taken longer than planned. Meanwhile the security situation has gradually worsened. And the release of ARTF funds was delayed while audit issues were resolved.

In April 2010 an amendment to UNOPS’ contract to incorporate activities funded by ARTF was signed. The pace of project implementation is picking up and nearly all planned rehabilitation contracts (the main component) have been awarded. MRRD has completed 551 km of such works, while MPW has completed 442 km (by the end of May). These are 55% and 41% respectively of the road lengths now programmed. Almost all the remaining rehabilitation contracts are at the procurement stage.

Both ministries have experienced substantial cost over-runs on the rehabilitation works compared to appraisal estimates. This has required a temporary suspension of some of the subprojects pending identification of additional funding. In the meantime the road length to be rehabilitated has been scaled down by more than 20%, from 2,000 km to 1,552 km. Some of the cost increase can be attributed to the unreliability of topographic and geotechnical surveys, and some of it to the worsening security situation.

The project is rated *moderately satisfactory* for achievement of the PDO. Implementation progress is more mixed; some aspects have been *moderately satisfactory*, while others have been *moderately unsatisfactory*, notably the slow physical progress. On balance, and considering in particular the unforeseen deterioration in the security situation, implementation progress is rated *moderately satisfactory*.

The Bank's Implementation Support Mission in February 2011 noted that physical and financial progress was improving steadily, the capacity building consultant had mobilized its core staff; the development of Rural Access Standards is in progress.

Road construction/rehabilitation works as of 31 December 2010 was 630 km (57%) for secondary roads and 626 km (52%) for tertiary roads. 51 secondary road contracts (514 km) and 155 tertiary road contracts (494 km) have been completed and opened to traffic. Pilot routine maintenance has been launched with the signing of contracts with two communities.
Components and Implementation Arrangement

The major components are improvement of 1105 km of secondary roads and related activities (Component A); improvement of 1195 km tertiary roads and related activities (Component B); and institutional strengthening, project management and program development (Component C).

MPW implements Component A and MRRD Components B and C. UNOPS provides intensive implementation support to the Project Implementation Units (PIUs) of the two ministries. The National Coordination Unit (NCU), reporting to MoF, coordinates the implementation activities of the PIUs, while the National Steering Committee, chaired by the Deputy Minister of MoF, oversees the overall NRAP.

**Component A: Improvement of Secondary Roads consisting of**
- (i) rehabilitation and reconstruction of secondary rural roads,
- (ii) emergency repair works to roads and bridges,
- (iii) implementation of environmental & social management framework, and
- (iv) implementation support technical assistance.

**Component B: Improvement of Tertiary Roads consisting of**
- (i) rehabilitation and reconstruction of tertiary rural roads,
- (ii) emergency repair works to roads and bridges,
- (iii) routine maintenance works,
- (iv) implementation of environmental & social management framework, and
- (v) implementation support technical assistance.

**Component C: Institutional Strengthening, Project Management & Program Development.**

Progress:

A summary of achievements to date are provided on the MRRD website:

- More than 9,800 km of roads have been rehabilitated in 312 districts of 34 provinces.
- 108 bridges with total length of 1,568m; 6,396 culverts, washes and retaining walls with total length of 64.9 km.
- NEEP/NRAP has constructed/rehabilitated 384 small irrigation schemes, 95 schools, 14 clinics, 44 drinking water storages, and 204 dug wells with hand pumps.
- Through the rehabilitation and renovation of the above-mentioned activities, more than 14.3 million days of paid work were generated.
- 56 technical training sessions have been conducted for 1,450 NRAP and MRRD staff.

**Preparation of Rural Roads Master Plan and Preparation of IRRIP (Interim Rural Roads Investment Plan):** The funding for NRAP is not sufficient to fund all the necessary road works across the country. To spend the limited available resources as effectively and efficiently as possible, a rural road network and multi-year investment plan was required.
The NRAP PIU in the MRRD prepared a Rural Roads Master plan and IRRIP based on two-day planning workshops in different provinces. The connectivity of the rural road network was plotted onto provincial maps, and a data base has been established for this purpose and computerized. Communities also defined the need for new roads. This planning exercise has been completed in the 34 provinces and the GIS unit has put the information on maps and has been able to complete this for all 34 provinces.

**Box E.3: Supervisory Agent Performance Reporting on NERAP**

During Oct-Dec 2011, IRD began NERAP project inspections, carrying out ten site inspections, while in the second quarter (Jan-March 2012), a further 18 sites in 8 provinces were inspected.

In the two monthly World Bank and UNOPS and NERAP meetings attended by IRD, IRD was informed that the NERAP projects are behind schedule financially and regarding construction. IRD engineers are seeing evidence of this in the field. Ongoing projects appear to be progressing at a far slower pace than the schedule shows. For instance, the reinforced concrete road in Kabul province was planned to be completed in November, but as of November 30 the road was only 73% complete. Many problems with program implementation were observed, resulting in serious delays in starting and completing roads. These issues reduce the likelihood that the road projects will be completed on time and budget.

The quality of work under NERAP has mostly been good, with the notable exception of a road in Kabul that had ruts, potholes and other signs of wear, despite being only six months old. In November IRD identified two projects with no work completed to date, although officially started in March of 2011. Conflicts within UNOPS Regional and National headquarters and between UNOPS Regional office and the contractors have been observed throughout the NERAP program. These conflicts adversely affect project completion. Although not verifiable, disputes and the resulting payment delays have reportedly been financially damaging to some construction contractors.

Community members provided positive feedback on the road projects this period. The only issue was regarding the guide posts: villagers are concerned about vehicles going off the road during winter.

**Recommendations made:**

1. Improve safeguards specifications.
2. Consideration of existing village infrastructure: the design of roads should take into consideration the structures of the villagers.
3. Reduce contractual delays. A good way to improve timely completion of projects would be to introduce bonus incentives to the contractors who construct a project on time and within the contract budget. Most of the MPW and NERAP projects visited are behind schedule and over budget.
4. Reduce change order processing time.
5. Improve cash flow of contractors. A payment based on set completion goals exists, but doesn’t seem to be consistently implemented. A focus on paying the contractors in a timelier manner should be established so that projects can to be completed on time.
6. Improve project management skills. Mentorship and training programs should be instituted for all parties involved in the project, including the implementing partner, the ministry’s regional manager and engineers, and the contractors. One area of focus should be in proper project estimation.
7. Increase community involvement

*International Relief and Development (IRD), 2nd Quarterly Report Dec 2011-Feb 2012*
What the data show:

Table E.1 documents the concerns raised in the World Bank’s Mid-Term Review (Box E.2), though the follow-on Implementation Support Mission notes some progress in the speed of works. The Supervisory Agent’s reports (box E.3), which are the most recent reviews of NERAP activities, continues to doubt project completion as planned due to delays and problems, but again notes some progress especially regarding the processes surrounding tertiary roads, among other things thus suggesting stronger community engagement.

Table E.2: Quantitative Findings, NERAP Mid-term Review 2010

<table>
<thead>
<tr>
<th>Outcome Indicator</th>
<th>Planned, original MTR date June 09</th>
<th>Projected by MTR Date May 2010</th>
<th>Achieved by May 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Km of secondary rural roads rehabilitated</td>
<td>425</td>
<td>866</td>
<td>442</td>
</tr>
<tr>
<td>Km of tertiary rural roads rehabilitated</td>
<td>575</td>
<td>750</td>
<td>551</td>
</tr>
<tr>
<td>Running meters of culverts, retaining walls, bridges to be rehabilitated, secondary roads</td>
<td>350</td>
<td>650</td>
<td>197</td>
</tr>
<tr>
<td>Running meters culverts, retaining walls, bridges to be rehabilitated, tertiary roads</td>
<td>5,500</td>
<td>8,200</td>
<td>7,064</td>
</tr>
<tr>
<td>No. of labor days generated by MPW through rehabilitation work</td>
<td>780,000</td>
<td>1,080,000</td>
<td>2,910,471</td>
</tr>
<tr>
<td>No. of labor days generated by MRRD through rehabilitation work</td>
<td>675,000</td>
<td>1,025,00</td>
<td>831,550</td>
</tr>
</tbody>
</table>

Source: NERAP Mid-Term Review, April - June 2010 Aide-Memoire
Annex F: The Education Sector and EQUIP

The education sector has been a primary area of concern to the ARTF since it was established. Through the Recurrent Window it has provided funding for teachers’ salaries and running costs for the schools, particularly at primary school level.

Over time, funds from then Investment Window have been used to strengthen the quality of the educational system, primarily through the Education Quality Improvement Program (EQUIP). The second phase, EQUIP II, is to close on 15 August 2014.

EQUIP’s project development objective (PDO) is “to increase equitable access to quality basic education especially for girls, through school grants, teacher training and strengthened institutional capacity with support from communities and private providers.” The program has had two major components: grants for upgrading of school facilities – infrastructure and equipment – and upgrading of teachers’ and head masters’ skills. In addition the project has funded construction of new schools and rehabilitation of existing ones, using both contracting of local entrepreneurs when larger constructions, or community contracts where the local communities were able to carry out the works themselves. A limited number of scholarships for girls have also been funded.

<table>
<thead>
<tr>
<th>Box F.1: IEG Evaluation of the Education Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>The evaluation notes the substantive improvements that have taken place since 2001. School infrastructure has expanded tremendously. The number of students, the gender balance, and the expansion of secondary, tertiary and technical and vocational training capacities and actual number of students graduated all show the major strides the country has taken in this field.</td>
</tr>
<tr>
<td>The evaluation notes that there was a lack of clear strategic thinking on the side of the Bank in the early phases, but that Bank-led studies (so-called Analytical and Advisory Activities, AAA products) improved the analytical and factual understanding of the needs, which has led to improved programming of resources. There has also been better alignment of GIRoA and Bank objectives and efforts over time. The current focus on teacher training is seen as correct and yielding important results, including in terms of improving gender balance (female teachers).</td>
</tr>
<tr>
<td>The engagement of local communities is seen as very encouraging, not only for mobilizing the parents to become engaged in their children’s education, but also as a means of increasing sensitivity to the need for girls’ education and for strengthening local maintenance of schools.</td>
</tr>
<tr>
<td>The measurement and evaluation systems are seen as inadequate for monitoring changes to both Outputs and Outcomes. The Supervisory Agent is now beginning to monitor better the infrastructure works but this is of course only part of the picture. At Outcome level, the data that exist on issues like retention rates are not encouraging as almost a fifth of children drop out before grade six. The target of teaching 700 hours per year is also not met in many schools.</td>
</tr>
</tbody>
</table>


Table F.2 shows the results that have been achieved as against the general objectives set for the sector – thus not just attributable to ARTF and IDA funding – but towards which in particular the EQUIP projects have been important contributors. The three indicators used in the ARTFR Performance Assessment Matrix (PAM) are included there: (i) percent of teachers that are female, (ii) gross enrolment numbers in primary school (grades 1-12), and (iii) percent of registered schools that have School Management Committees (SMCs – schools shuras).
The more specific achievements for the EQUIP projects are shown in table F.3. Here it can be seen that data are missing for a number of the indicators that are to be used for tracking progress on the projects, in line with the problem of inadequate monitoring systems in the education sector pointed to in the IEG evaluation (see box F.1).

Table F.1 shows the main findings in the IEG evaluation of the World Bank Group’s contributions to the education sector. That is, this is looking not only at IDA but also the funding through the ARTF.

### Table F.1: World Bank attributable results, Education Sector

<table>
<thead>
<tr>
<th>Results associated with World Bank Goals</th>
<th>World Bank group contribution to results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>World Bank group objective:</strong> Increase enrollment at the primary, secondary and vocational levels, with an improvement in gender parity.</td>
<td>• Three projects supported the education sector: Education Quality Improvement Program (EQUIP 1 and 2), Strengthening Higher Education Projects (SHEP 1 and 2), and the Afghan Skills Development Project.</td>
</tr>
<tr>
<td>• Primary school enrollment increased from 1 million students in 2001 to 7.6 million in 2010 (net enrollment rate 50 percent).</td>
<td>• EQUIP is aligned with the National Education Sector strategy and has provided technical support toward achieving student enrollment and teacher training objectives.</td>
</tr>
<tr>
<td>• Females comprise nearly 40 percent of primary school enrollment.</td>
<td>• While SHEP 1 was slow to start, SHEP 2 has provided assistance for improving university management and governance as well as resources for training faculty with partner universities abroad.</td>
</tr>
<tr>
<td>• Some progress in enrollment in secondary, vocational, and higher education.</td>
<td>• The Ministry of Education and Ministry of Higher Education developed national strategies, though the Higher Education strategy has not yet been approved by the parliament.</td>
</tr>
<tr>
<td>• The Ministry of Education and Ministry of Higher Education developed national strategies, though the Higher Education strategy has not yet been approved by the parliament.</td>
<td>• There have been substantial investments in training teachers and generating more university faculty.</td>
</tr>
<tr>
<td>• In vocational training, a National Qualifications Framework is under negotiation, and institutions for training have been established</td>
<td>• In vocational training, a National Qualifications Framework is under negotiation, and institutions for training have been established.</td>
</tr>
</tbody>
</table>

Table F.2:

<table>
<thead>
<tr>
<th>Broad area</th>
<th>Objective</th>
<th>Specific Objective</th>
<th>PAM indicator</th>
<th>1384</th>
<th>1385</th>
<th>1386</th>
<th>1387</th>
<th>1388</th>
<th>1389</th>
<th>1390 (proj)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase access to education in grades 1-12</td>
<td>First objective is: Increase Enrolment Rates in Grades 1-12</td>
<td>First objective is: Increase Enrolment Rates in Grades 1-12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Second objective is: Increase numbers of female teachers</td>
<td>Accord the percentage of female teachers is:</td>
<td>n.a.</td>
<td>26.00</td>
<td>27.60</td>
<td>29.00</td>
<td>32.00</td>
<td>30.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Third objective is: Mandate formation of School Management Committees (SMCs)</td>
<td>Mandate formation of School Management Committees (SMCs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Formation of SMCs mandated in all public schools.</td>
<td>75.00</td>
<td>81.00</td>
<td>83.00</td>
<td>89.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase quality of education in grades 1-12</td>
<td>All public sector teachers are trained.</td>
<td>All public sector teachers are trained.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Accurate the percentages of incoming permanent teachers are trained.</td>
<td>20.355</td>
<td>41%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualification based hiring of teachers</td>
<td></td>
<td>Develop a competency based pre-service teacher training framework and syllabi for Teacher Training Colleges (TTCs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Competency framework for pre-service teacher training being piloted.</td>
<td>n.a.</td>
<td>27.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- **PAM indicator:** Percentage of Accessible Means (PAM) indicator
- **Gross Enrolment:** Increase numbers of female teachers
- **% female teachers:** Percentage of female teachers
- **Formation of SMCs:** Percentage of registered schools with SMCs
- **% registered schools with SMCs:** Percentage of registered schools with SMCs
- **Numbers of teachers:** Numbers of teachers (both permanent and ajir) in government schools with in-service training
- **% of incoming permanent teachers with stipulated minimum qualifications/TTC degrees:** Percentage of incoming permanent teachers with stipulated minimum qualifications/TTC degrees
### Table F.3: EQUIP II Results (based on Results Framework in Project Paper, modified for Management Committee March 2009)

<table>
<thead>
<tr>
<th>Key outcome indicator</th>
<th>Baseline (1386/2007)</th>
<th>Target</th>
<th>Yr 1 2009</th>
<th>Yr 2 2010</th>
<th>Yr 3 2011</th>
<th>Yr 4 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Percentage increase in enrollment - girls</strong></td>
<td>Plan 2.2 mln 35% (3 mln)</td>
<td>Actual 2.660 000</td>
<td>15% (2.5 mln)</td>
<td>2.710 000</td>
<td>25% (2.8 mln)</td>
<td>3.000 000</td>
</tr>
<tr>
<td><strong>Percentage increase in enrollment - boys</strong></td>
<td>Plan 3.9 mln 14% (4.5 mln)</td>
<td>Actual 4.590 000</td>
<td>3% (4 mln)</td>
<td>4.440 000</td>
<td>6% (4.1 mln)</td>
<td>4.500 000</td>
</tr>
<tr>
<td><strong>Student learning outcome: Reading and numeracy test</strong></td>
<td>Plan na Administered twice</td>
<td>Actual Learning assessment conducted</td>
<td>No</td>
<td>No</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Results indicators for each component

**Component 1: School Grants**

| No. of schools receiving quality enhancement grants & SCMs | Plan 11 900 4 300 5 050 2 550 | Actual 2 031 5 220 12 071 |
| No. of schools receiving infrastructure development grants | Plan 1 120 | Actual 654 272 1 659 |

**Component 2: Teacher and Principal Education**

| No. of teachers completing (a) INSET I (b) INSET II | Plan 37,000 n.a. 100,000 20,000 80,000 n.a. | Actual 65,544 0 92,831 63,852 200,000 |
| No. of principals completing management training program | Plan 7 000 5 000 2 000 n.a. | Actual 814 11 695 14 000 |
| No. of female scholarship recipients in TTCs | Plan 5 000 | Actual 584 585 5 000 |
Sources table F.2:

- GER for 1390 is based on the National Education Interim Plan 2011-13, Ministry of Education, January 2011
- DT3s will deliver three types of training to primary school teachers: pedagogy and basic knowledge training (INSET-I); content-knowledge training (INSET-II); and training to educate under-qualified female teachers (Accelerated Learning-AL).

Sources table F.3:

- Targets and baseline are from original Project Paper. Actuals for 2011 are from Second Education Quality Improvement Program, Implementation Status Results Report, Sequence 09, for 2010 are from Second Education Quality Improvement Program : P106259 - Implementation Status Results Report : Sequence 06. Projected figures for 2012 are from the Status Update 2012.
- Note: Targets for indicators for Component 1 "School Grants" are cumulative, i.e. EQUIP I and EQUIP II. The 11,900 includes FIRST and SECOND generation grants. The first generation grants will be given to schools throughout the country who have not previously received any quality grants under EQUIP. In ISR (09) for No. of schools receiving QEG it says 6855, but it is only for EQUIP-II. The target for No. of schools receiving infrastructure grants has been increased in March 2009 to 1,575
- Note: INSET - In-Service Teacher Training, INSET-I is basic knowledge training; and INSET-II is content-knowledge training. INSET-I started under EQUIP-I, hence we have a baseline. INSET-II was only started under EQUIP-II. The year 4 figure gives the combined number.
Annex G: The Health Sector and SHARP

The health sector, and in particular primary health care and mother-child care, have also been important fields for World Bank support. As with the education sector, the Recurrent window has been used to cover salaries for primary health care personnel, ensuring that the state has been able to maintain a minimal service delivery capacity across the country.

In addition to this recurrent cost support, the ARTF as of 2009 has funded the Strengthening Health Activities for the Rural Poor (SHARP). This project has been set up as a four-year project to be completed at the end of September 2013. The project is “to support the Government in achieving the goal of the Health and Nutrition Sector Strategy 2009-2013”, where the Sector Strategy objective is to “contribute to improving the health and nutritional status of the people of Afghanistan, with a greater focus on women and children and under-served areas of the country”.

The Ministry of Public Health very early defined a Basic Package of Health Services (BPHS) that constitutes the mainstay of its primary health care delivery. It then contracted out the delivery of the BPHS, largely to NGOs. This allowed the Ministry to increase its reach very quickly, but also to put in place a more independent monitoring of performance. It has contracted an external consortium to track quality of activities in the sector, which has included the development of a balanced score card assessments of key parts of the health care system, and more sophisticated methodological techniques for documenting changes to Outcomes and how these can be attributed to BPHS delivery actors.

The performance of the sector is overall seen as quite good, with some deterioration in certain fields but where the Ministry in dialogue with the partners agreed on steps that has got performance back on track. Table G.2 shows the general health performance results, where the four parameters in the ARTF Performance Assessment Matrix (PAM) are included: (i) Outpatient visits per capita per year to GIRoA clinics, (ii) percent of pregnant women attended by skilled birth attendants, (iii) improvement in the national average of the Balanced Scorecard ratings, (iv) percent of provinces with hospital reforms initiated.

<table>
<thead>
<tr>
<th>Box G.1: IEG Evaluation of the Health Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>The evaluation finds that Afghanistan has achieved remarkable gains both in terms of access to services, but also in key health Outcomes. The number of health facilities has increased four-fold over the period from 2002 to 2011 while at the same time the percentage of these facilities that had a skilled female health worker went from 25% to 72%. The very important improvements to women’s access to key services and the increasing role of women in the health sector are seen as among the most significant achievements. This is seen in the widely reported decreases in infant mortality rates from 165 to 103 from 2002 to 2010, and under-five mortality rate fell from 257 to 149 – a 42% decline – over the same period. Yet Afghanistan still has far to go – it still rates amongst the world’s poorest performers in terms of health outcomes.</td>
</tr>
<tr>
<td>The Bank conducted a series of AAA studies that are considered of very high quality. These further assisted the authorities and donor partners to improve health sector policies, funding and results. The early agreement to harmonize the support by the three major funders – ARTF/IDA being one – around the MoPH’s decision to contract out BPHS delivery is seen as a key explanatory factor. The Bank was, however, the only one of the three that chose to channel the funding through the national authorities, in that way contributing to building national capacity and ownership of the program and its results, and laying foundations for improved national management of the sector.</td>
</tr>
</tbody>
</table>

Table G.3 shows the results achieved and expected through SHARP during its four year period, where again it can be seen that actual output values are missing so that performance tracking is somewhat incomplete.

Table G.1 provides the main findings summarizes in the IEG evaluation of the World Bank Group’s contributions to the health sector.

**Table G.1: World Bank attributable results, Health Sector**

<table>
<thead>
<tr>
<th>World Bank group objective: Promote rapid improvement in service delivery in the health sector</th>
<th>World Bank group contribution to results</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong strategic vision and policy framework established in 2002/3 helped MOPH ensure delivery of a Basic Package of Health Services (BPHS)</td>
<td>• Strategically focused policy dialogue in early stages focused on how to implement a vision strongly owned by the government and maintained throughout period.</td>
</tr>
<tr>
<td>• Capacity to manage contracting out to NGOs complemented with relatively robust monitoring of trends in service access, quality, and utilization by an independent monitoring entity. Strong MOPH role in donor coordination, with three major development partners following complementary approach to service delivery and system development, now facilitated through ARTF financing.</td>
<td>• Flexible and responsive approach to building capacity within MOPH to —learn by doing‖ management of NGOs for service delivery through two supporting investment projects; three complementary AAA products document early gains and identify future policy issues; donor inputs coordinated by complementary IDA and ARTF support.</td>
</tr>
<tr>
<td>• Functioning public health care facilities increased from 496 in 2002 to over 2,000 in 2011, coverage of basic health services reaching all 34 provinces. From 2002 to 2010, the infant mortality rate fell by 38 percent, under-five mortality fell by 42 percent and the maternal mortality ratio declined significantly from an uncertain baseline to about 460/100,000.</td>
<td>• Bank encouraged and supported independent, third-party monitoring of service delivery outputs and outcomes.</td>
</tr>
<tr>
<td></td>
<td>• IFC investments in a private hospital in FY09 contributed to reaching nearly 8,000 patients in Afghanistan</td>
</tr>
</tbody>
</table>

Table G.2:

<table>
<thead>
<tr>
<th>Broad area</th>
<th>Objective</th>
<th>Specific Objective</th>
<th>PAM indicator</th>
<th>1384</th>
<th>1385</th>
<th>1386</th>
<th>1387</th>
<th>1388</th>
<th>1389</th>
<th>1390</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase % of population with access to the BPHS</td>
<td>Sign partnership agreements with NGOs in uncovered areas and/or expand the MOPH strengthening mechanism</td>
<td>Outpatient visits per capita per year to GIRoA/ publicly funded clinics</td>
<td>0,35</td>
<td>0,60</td>
<td>0,80</td>
<td>1,00</td>
<td>1,16</td>
<td>1,30</td>
<td>1,5</td>
</tr>
<tr>
<td></td>
<td>% Population of districts with financing and organizational arrangements to deliver BPHS</td>
<td></td>
<td></td>
<td>77,00</td>
<td>82,00</td>
<td>85,00</td>
<td>85,00</td>
<td>85,00</td>
<td>87,00</td>
<td>87</td>
</tr>
<tr>
<td></td>
<td>Greater coverage of preventative services</td>
<td>Maintain focus on improved immunization coverage and increase outreach activities</td>
<td>DPT3 coverage among children 12-23 months of age (%)</td>
<td>16,70</td>
<td>34,60</td>
<td>n.a.</td>
<td>43,00</td>
<td>n.a.</td>
<td>50,00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improved access to reproductive health services</td>
<td>Further increase no. of skilled midwives, especially in rural areas, expand outreach activities, explore incentives for mothers to deliver in facilities</td>
<td>Contraceptive prevalence rate</td>
<td>10,50</td>
<td>15,50</td>
<td>n.a.</td>
<td>23,00</td>
<td>n.a.</td>
<td>21,80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improved quality of care as judged by independent survey</td>
<td>Continuous in-service training of health workers and systematic supervision.</td>
<td>Balanced score card: national median (%)</td>
<td>59,00</td>
<td>65,40</td>
<td>70,20</td>
<td>71,70</td>
<td>70,00</td>
<td>75,00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improve quality of care in secondary and tertiary hospitals</td>
<td>Implement Essential Package of Hospital Services, TA to strengthen hospital management, implementation of alternative hospital management mechanisms.</td>
<td>A separate balanced score card on secondary and tertiary hospitals (based on third party evaluation), median score, nationally</td>
<td>n.a.</td>
<td>n.a.</td>
<td>57,10</td>
<td>65,80</td>
<td>62,00</td>
<td>75,00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provinces with hospital reform initiated (%)</td>
<td></td>
<td></td>
<td>29,00</td>
<td>29,00</td>
<td>50,00</td>
<td>59,00</td>
<td>61,00</td>
<td>65,00</td>
<td></td>
</tr>
</tbody>
</table>
### Table G.3:

<table>
<thead>
<tr>
<th>Key outcome indicator</th>
<th>Baseline (1385/2006)</th>
<th>Target</th>
<th>Yr 1 2010</th>
<th>Yr2 2011</th>
<th>Yr3 2012</th>
<th>Yr4 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contraceptive Prevalence Rate - % of women 15-49 years currently using a family planning method (modern)</td>
<td>Plan Actual</td>
<td>15.4%</td>
<td>20.0%</td>
<td>17.0%</td>
<td>20.0%</td>
<td></td>
</tr>
<tr>
<td>TB treatment success rate</td>
<td>Plan Actual</td>
<td>85 %</td>
<td>90 %</td>
<td>85 %</td>
<td>85 %</td>
<td>90 %</td>
</tr>
<tr>
<td>Proportion of newborns who were breastfed immediately or within one hour after birth</td>
<td>Plan Actual</td>
<td>36.7%</td>
<td>45.0%</td>
<td>40.0%</td>
<td>45.0%</td>
<td></td>
</tr>
<tr>
<td>DPT3 coverage among children 12-23 months old</td>
<td>Plan Actual</td>
<td>34.6%</td>
<td>60.0%</td>
<td>40.0%</td>
<td>45.0%</td>
<td>52.0%</td>
</tr>
<tr>
<td>Proportion of births attended by skilled attendants (excluding trained CHW or TBAs)</td>
<td>Plan Actual</td>
<td>18.9%</td>
<td>28.0%</td>
<td>20.0%</td>
<td>23.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Proportion of caregivers of children under 5 who can identify at least 2 danger signs of ARI</td>
<td>Plan Actual</td>
<td>Not available</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>Coverage of ANC - % of all pregnant women receiving at least 1 ANC visit</td>
<td>Plan Actual</td>
<td>32.3%</td>
<td>50.0%</td>
<td>38.0%</td>
<td>42.0%</td>
<td>47.0%</td>
</tr>
<tr>
<td>Score on BSC examining quality of care in BHC, CHC and DH</td>
<td>Plan Actual</td>
<td>70.2</td>
<td>80.0</td>
<td>72.0</td>
<td>75.0</td>
<td>77.0</td>
</tr>
<tr>
<td>Number of consultations per person per year</td>
<td>Plan Actual</td>
<td>0.9</td>
<td>1.4</td>
<td>1.1</td>
<td>1.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Proportion of lowest income quintile using BPHS services when sick in the last month</td>
<td>Plan Actual</td>
<td>32.3%</td>
<td>40.0%</td>
<td>35.0%</td>
<td>40.0%</td>
<td></td>
</tr>
<tr>
<td>Hospital BSC measuring quality of care, equity, service delivery and management processes</td>
<td>Plan Actual</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>
Sources table G.2:
- 1384-1388 figures are from National Risk and Vulnerability Assessment (NRVA) 2005, NRVA 2007/08, Afghanistan Health Survey (AHS) 2006 in ARTF Performance Assessment Matrix (PAM) - SY1388.

Sources table G.3:
- Emergency Project Paper (PAD), WB 2009
- Data for baseline is take from AHS 2006 and NHSPA.
- OPD for 2010-2011 is based on Health Management Information System (HMIS) data