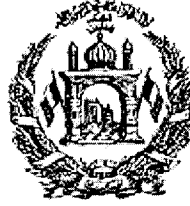


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دولت انتقالی اسلامي افغانستان

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Government of Afghanistan

EXECUTIVE SUMMARY

and

NATIONAL PRIORITY PROJECTS

KABUL

OCTOBER 12 2002

Executive Summary: National Development Plan and Budget

The Working Draft of the Development Plan and Budget and the Six National Projects represent the next logical step in a process that was started at Tokyo in January this year. At that time the broad vision was outlined in (then) Chairman Karzai's presentation. Following extensive consultation among Ministers and senior officials, led by Dr Ghani and Dr Farhang, the National Development Framework (NDF) was produced. The NDF articulated a strategy to develop this vision and was presented to donors at the Implementation Group Meeting in April this year.

The National Development Budget (NDB) is the elaboration of the NDF into a series of detailed programs and the specific projects within each program. It is not possible to complete a full development budget until more complete information on resources, particularly resource constraints faced globally and by each sector is known. A full NDB, integrated with an operating budget to cover the recurrent expenditure will be prepared for 1382-3 and will be presented to donors for consideration at the first full Consultative Group meeting in late February/early March 2003.

The Working Draft of the National Development Plan and Budget that has been circulated represents the compilation of plans within each program outlined in the NDF. Over the past few weeks the Ministries of Planning and Reconstruction have led a consultative process between the Ministries with portfolio responsibility in each sector and the international development partners of those Ministries, to prepare program plans. This collaboration both within Ministries and between Ministries and their development partners represents a major step forward for governance in Afghanistan. The Ministries took a much larger role than had previously been the case and are now well prepared to take on a full leadership role in a Consultative Group process.

The program plan presents two distinct types of figures: 'resourced' refers to amounts committed by donors to each sub-program area; 'budget' refers to the amount estimated by the Ministries and their partners to meet the needs in each sub-program.

It is important that all Ministries and development partners understand that the amount of financial control over the amounts listed as 'resourced' will range from total control (in the cases where a donor gives an implementing Ministry full discretion) to no control (when a donor determines how the money is to be spent in the sub-program).

The next stage in the Development of the Working Draft is for the Government to make cross-sectoral trade-offs. The figures listed as 'budget' represent the priorities identified by the Ministries and their partners. These figures have not yet been modified to take into account either the overall resources available to the Government, or the relative priority the Government places on each program. In this regard, the figures identified as budget are not yet endorsed as priority Government projects. This process will be undertaken over the next five months as the priorities are revised and greater clarity from donors allows the overall resource envelope and the extent of any earmarking within that envelope to be understood.

Given the Working Draft status of the National Development Budget and Plan, the Cabinet made a number of decisions over the last week to guide resource allocation decisions in the absence of a comprehensive National Development Budget.

- The decision to have twelve national programs within the NDF architecture was endorsed.

- The preferred expenditure between the three pillars of the NDF were agreed as:
 - Human capital and social protection – 45%;
 - Physical Infrastructure – 35%; and
 - Trade and Investment and Rule of Law/Security – 20%.
- Six priority national projects for which donor funding will be sought in advance of the preparation of a full NDB were also agreed. The projects are:
 - National Solidarity Program and Emergency Public Works Program;
 - Education Infrastructure Project;
 - Urban Infrastructure Project;
 - Water Resource Investment Project;
 - National Governance Infrastructure Project; and
 - Transport Project (major roads and airports).
- Cabinet also agreed on a policy position that once a series of projects have been identified as priorities, that funding for additional priorities will not be sought until the existing priorities are fully funded.

The decision on expenditure shares highlights a number of issues.

- At one level it makes clear that there is a trade-off between spending on humanitarian assistance and spending on physical infrastructure. If the budget is to be the central tool of policy-making it is critical that these issues are considered together in the Budget, and through this decision the Government has indicated its broad disposition between spending in the two areas.
- At another level it highlights that synergies must be exploited between different categories of spending:
 - Infrastructure spending through labour intensive programs addresses humanitarian needs; while
 - Effective spending on infrastructure, such as on roads, can reduce the operating costs of providing humanitarian assistance allowing more assistance to be provided at a lower cost.

As an interim measure, pending the finalization of the NDB, six priority projects were extracted from the Working Draft and agreed upon by Cabinet as representing the Government's highest priorities for donor funding. The Cabinet recognized that the needs are too urgent and the aspirations of the community too high to allow a delay of an additional five months before implementation commenced. Rather, national projects are needed now to increase the delivery of tangible results to the ordinary Afghan women and men. Further delays will reduce the people's faith in both the government and the international community, and undermine the legitimacy of the government. The key criteria in determining the projects were that the projects were:

- truly national in scope – to ensure that donor funds were distributed evenly across the population ensuring that there could be no allegations of ethnic or regional bias;
- a clear priority as identified in the Working Draft, and a priority so clear that it would be maintained even once the NDB was completed; and

- easily and quickly implementable – often after a feasibility study that could also be quickly undertaken

When determining the six priority National Projects, Cabinet also agreed on the implementation modalities for these projects. This decision endorses the broad strategic approach of the Government as outlined in the NDF, specifically:

- Where necessary a feasibility study would be rapidly commissioned
 - Preliminary discussions with the Management Committee of the ARTF indicate an in-principle agreement to establish a project within the ARTF to fund the studies;
- Where possible community based consultation and decision-making would be used;
- Beneficiaries would be closely involved with monitoring and reporting wherever practicable; and
- Supporting the role of the Government as policy maker, regulator and monitor, the implementation of the feasibility study and of the execution of the contract itself would be tendered out on a competitive basis

The Government anticipates the following funding and operational modalities. Once donors have read the attached notes, they will be asked to indicate their interest in funding one or more of the six projects. This expression of interest is not a pledge. Interested donors, international development partners and the lead Ministries will then form a task force, ideally within the next two weeks to facilitate rapidly the feasibility study and the implementation of the project – if feasible. By early November, the Government would like to know the level of donor interest in each of the six priority projects.

National Solidarity (Hambastigie Millie) and Emergency Public Works Projects

Brief Overview: The National Solidarity Project is the government's medium to long-term mechanism for rebuilding local governance structures and implementing nationwide community projects in an accountable and efficient manner. The projects will range from emergency relief and rehabilitation to reconstruction activities, depending on each community's needs. The project recognizes that in the absence of responsible government in Afghanistan over the last decades, many communities have been self-sufficient and self-governing and are can best articulate their priorities and manage their own funds.

The government's emergency mechanism for creating jobs is through the emergency labor intensive works project, which, under the guidance of consulting organizations in partnership with the government, is contracting NGOs and construction companies to undertake roads, schools and irrigation building projects across 12 priority provinces.

Intended Outcomes:

- Involve all citizens in the country directly in the recovery and reconstruction process through meaningful decision-making and management.
- Reinforce local democratic decision-making processes, involving men and women, providing a basis for local governance.
- Assist in the reintegration of returnees and ex-combatants into their recipient communities. The project will be supplemented by a voucher scheme, whereby returnees are issued vouchers that are credited to their recipient community for priority projects, thereby creating a market for returnees.
- Focus on rural communities to send signals that will counter urban migration.
- Infuse cash into local economies to increase purchasing power for basic needs.

Implementation Modalities: NSP provides a single-window framework for the direct disbursement of block grants from the centre to community institutions. A simple set of rules guides the use of funds and constitution of the community institutions. A network of a large number of facilitators will coach communities and monitor the use of funds on a regular basis. For project implementation, communities can organize their own labor or contract with and monitor individuals or firms and NGOs.

Progress to Date and Next Steps: With \$17 million of World Bank grant financing, the emergency labor-intensive project is already implementing medium scale infrastructure projects and will provide 5m man-days of labor throughout 12 provinces. The government wishes to use the labor intensive project as the primary means to upscale the public works efforts in the country, to expand from 12 to 32 provinces, with a focus on areas of return for ex-combatants. This will require an addition allocation of \$100m.

The NSP is in the final stages of design, under the leadership of the Ministry of Rural Development, and will shortly start disbursing grants of \$20,000 to communities. A comprehensive operations manual has been finalized. The first pilot phase disburses to two districts in every province, a total of 800 communities this winter. The second phase will include more than 4000 villages next summer. The government would like to commit \$100m to this project in 2002-3 for phase two and is seeking this financing through bilateral commitments. This project is the primary mechanism to address development of rural infrastructure, reintegration of refugees and demobilization of ex-combatants.

National Education Infrastructure Project

Program Objective: Quality education is the foundation for poverty reduction and economic growth. However due to years of turmoil in the country, the situation facing the education system in Afghanistan is dire by any standard. Children, youth and adults have been deprived from the opportunities to education. Afghanistan's education indicators are among the worst in the world, with girls and rural populations particularly disadvantaged. The Afghan population has demonstrated its yearning for education. The number of children who returned to school, or in the case of many girls commenced school for the first time was more than 75% above estimates. This remarkable response brings with it many challenges.

The objective of this program is to rapidly rehabilitate or construct primary schools across the country. The program aims to provide ten functioning primary schools in every district over the next twelve months, equipped with furniture, teaching materials and with rapid training for teachers, and a number of community-organized schools. This will have an immediate and visible impact on educational outcomes by focusing attention and financial assistance on creating better and more effective learning spaces for primary school children. It will demonstrate in a most tangible way to the women and men of Afghanistan the priority that the Government places on the development of their children.

This program is only the first of several major investments in this key social sector. Firstly, the number of schools built or rebuilt will be inadequate and the program will need to be extended. Focusing initially on a limited number of schools, however, guarantees that the program remains truly national in scope. Other interventions will be needed in the areas of teacher training, curriculum development and programs to develop the tertiary sector.

Implementation Modalities: The program has two main components:

Identification, design and contracting of district school building: Building on existing analysis conducted by the ministry of education, the location of the schools in each district needs to be determined through an active consultative process. Standard specifications and designs should be provided but should be adapted to suit local contexts. School construction could be tendered on a provincial basis but work should start on a district as soon as the ten schools have been identified. This program will be supplemented by provision of or grants for furniture, textbooks and training for teachers, depending on local availability.

Block grants for village based basic literacy program: Block grants will be given directly to communities on a pilot basis for a village based basic literacy program. This builds on the practice of community-run schooling and home-based teaching (linked to radio) under the Taliban. The program would provide resources to parent-teacher organizations linked to the community institutions under the National Solidarity Program, to allow for community-organized school construction and procurement of equipment, and for communities to hire a teacher with literacy skills, drawn preferably from the returning populations or ex-combatants.

Linkages to other elements: the school building project must be situated within the broad overall strategy in this key social sector.

Progress to date and next steps: Some school repair and building has taken place, organized by agencies and NGOs. However, it is very difficult to ensure national coverage or economies of scale under this modality. It is anticipated that this government-led program will cost \$150 million in its first phase.

Urban Infrastructure Project

Brief Overview: The creation of well functioning cities that are inclusive, efficient and self-sustaining, and operated in close collaboration between the citizenry and the State is the goal of any urban management policy. The challenges of successfully delivering on effective urban management is made more challenging in Afghanistan by the urban drift that has occurred following drought and conflict, and the return of many refugees to urban areas. The high level of vulnerability amongst the urban poor presents additional challenges.

Sequencing the interventions is critical as is a well-developed overall management plan. However, the needs of the urban communities cannot wait for the development and adoption of an overall plan. Rather, early intervention is needed in areas where the needs are clear. The criteria for the intervention should be that the need is clear and that the overall management plan is supported, rather than undermined by the intervention.

In the case of the urban areas the need for investment in water and sanitation is critical if major health crises are to be avoided – particularly amongst the most vulnerable. Currently only 35% of the urban dwellers have access to safe water and only 14% have piped water. Access to sanitation is limited to 23% of the population in urban areas. The health consequences of this low level of provision is stark – across the country diarrheal diseases count for 22% of deaths of children aged 0 to 1 year old and 12% of deaths among 1 to 5 year-olds. Investments in this area will not only have a major impact on the most vulnerable in the community; they will also reduce the need for costly expenditure on health care in the future. The most cost effective and efficient interventions will involve an integrated approach that brings together the management of water and sanitation, power delivery and road rehabilitation.

Progress to Date: A series of studies and conferences has been undertaken. Implementation of urban infrastructure works by the government has focused on emergency interventions in five major cities, excluding Kabul. There have also been a number of specific projects undertaken by individual donors, including work on paving roads, power transmission and sanitation improvements in Kabul by KFW. A shift from emergency repairs to major reconstruction now needs to take places.

Next Steps: In the National Development Budget the Government is identified investment in urban infrastructure and services totaling between \$90 to \$100m. These projects will address the major needs in six to eight urban centers. The Government's priority intervention over the next four months is the undertaking of technical feasibility studies to develop the specific options that will be implemented in each of the major urban centers. The key to successful implementation is ensuring that the feasibility studies focus on exploiting the cross-sectoral synergies to guarantee cost-effective.

Water Resource Investment Project: Irrigation, Power Generation and Drinking

Brief Overview: Despite its considerable water resources and historical emphasis on irrigation, Afghanistan's recent experience of four years of drought has had a devastating impact on water security. Given this—and as the Afghan people consistently rank water security as one of their top 3 priorities—the government is determined to meet this demand. Investment in small and medium-sized multipurpose dams will ensure that the water resources of the country are tapped to provide sustainable livelihoods for the poor.

Despite Afghanistan's large size and expansive historical networks of canals, only 2-4% of the soil is used for cultivation. As access to water is the limiting factor, targeted investment will expand the size of the irrigated area, thereby creating food security. The key challenge is to transform variable seasonable water flows from Afghanistan's four main river systems—the Amu Darya, Hari-Rud, Hilmand-Arghandab, and Kabul—into predictable sources of water for irrigation, power generation and drinking.

Progress to Date: Unfortunately, progress to date has been limited by a lack of comprehensive, international-caliber feasibility studies of water resource investment opportunities. Still, several donors, most notably Saudi Arabia, have expressed interest in making large contributions to this highly visible program.

For prioritization and organization of feasibility studies, water resource investment opportunities have already been classified in the following four broad categories:

- Expansive canal networks—such as the Hazhda Nahr in the North—which require short-term investments in restoration and long-term creation of permanent structures to ensure predictability and efficiency.
- Small, targeted investments in canals and sub-canals—modeled on NGO experience on the Logar River—that can result in high returns to local communities through improved predictability of water utilization.
- Potential sites for hydroelectric power generation and irrigation—including the Kokcha River near Fayzabad—which are identified, but require detailed scoping.
- Modernization of existing dam infrastructure, a prominent example being Sardih Dam near Ghazni.

Next Steps: The Government of Afghanistan requires rapid donor action on two fronts:

- Donor commitment to contract international consulting firm to undertake feasibility studies across four core areas of water resource investment opportunities detailed above.
- Donor commitment to substantial investment in water security once feasibility studies are completed.

National Infrastructure of Governance

Brief Overview: The infrastructure of governance in Afghanistan—physical and institutional—has been severely undermined by 23 years of war. Government buildings were prime targets in the conflicts, and many across the country are now in rubble. While the civil service laws and procedures are largely sound and in some cases exemplary, little investment in human resources has been made. This project aims to restore the presence and capacity of central government throughout the country so that it can deliver services in an accountable and efficient manner. This project will start with immediate actions in building, capacity building and staffing reform.

Intended Outcomes:

- Restore the physical presence and dignity of government throughout the country, by building and providing basic equipment to combined government office complexes across 328 districts and 32 provinces. This would also establish a standard for the presence of functions at the district and provincial level to prevent a mushrooming of government offices and functions.
- Ensure international standards of accountability and transparency are met, through the deployment of international consultants in financial management, procurement and audit, and the placement of up to 10 internationally trained Chief Financial Officers in key development ministries.
- Establish capacity building groups within key ministries and provinces to provide an engine for learning and reform within the government.
- Identify and recruit a cadre of senior and junior civil servants to be paid at an increased rate to form the kernel of the rejuvenated civil service. Subsequently release those staff whose functions are redundant with a social safety net.

Implementation Modalities:

Physical infrastructure: A national competition will be conducted to produce architectural designs for district and provincial government office buildings, and a feasibility study will provide standard specifications and conduct surveys to eliminate from the plan those facilities that are already adequate. The construction of the facilities will be tendered, and implemented by three or four private construction companies. A cross-ministerial task force will lead the design and monitoring of the project.

Institutional infrastructure: The government, with the collaboration of the Civil Service Commission, will establish and implement the capacity building groups and take action to identify the cadre of senior and junior executives and those staff eligible for early retirement.

Progress to Date and Next Steps:

Physical infrastructure: The government is requesting a donor to undertake a feasibility study for the project, and then to finance the implementation, which will cost in the region of \$75-125m.

Institutional infrastructure: The creation of capacity building groups in key ministries is now underway, with selection completed, training underway and financing secured for the first set of ministries. The expansion of the project to other Ministries and provinces will require additional funding of \$20m.

Transport Project

Brief Overview: While advances in technology have made most of the world smaller, 23 years of neglect of physical infrastructure has made Afghanistan a larger country. Twenty-five years ago it took 3 hours to travel from Kabul to Kandahar, now it takes 14. As a landlocked country, the road and civil aviation networks are critical for economic development, facilitating both domestic and international trade and commerce. Moreover, they play a key role in enhancing national integration and economic and social development throughout the country. At this moment in Afghanistan's history, the symbolism of a national transportation network bringing the country together cannot be underestimated.

The Government has clearly indicated that a national program of road construction is its highest priority for large donor infrastructure investment. The broad objective has been articulated: a ring highway linking the major urban centers, highways from the ring highway to the major border points and a highway across the centre of the country from Kabul to Herat. Secondary and tertiary roads, particularly providing farm to market access are also critical and will be addressed, primarily under public works programs. A strategy for regional airports, including the number of smaller regional airports, requires more progress.

Progress to Date: Donors have responded positively to the Government priorities. Major portions of the road program have been funded, including: Kabul-Kandahar-Herat (Japan, Saudi Arabia and USA); Kandahar-Spin Boldak (ADB/Japan); Herat-Islam Qila (Iran); and Kabul-Jalalabad-Torkham (EC, Sweden and Pakistan). Also, the World Bank has undertaken a feasibility study on the Kabul-Doshi road and work has begun on the Salang Tunnel.

The initial repairs of Kabul Airport to bring it to ICAO standards and attract a broader range of international carriers have been agreed and will commence shortly. Some very preliminary work has been undertaken on a strategy for regional airports. To ensure that the transport program is situated appropriately in a long-term policy framework, SIDA has agreed to fund a broad transport sector review, which is scheduled to report in June 2003.

Implementation Modalities: Supporting our commitment to both a private sector led model of reconstruction and to overall transparency and accountability, the Government prefers to outline its policy and programs and then leave the major contracting and construction activities to the private sector. Specifically, the Government expects private consultants to undertake the feasibility studies, international contractors to manage the implementation, with the use of local subcontractors wherever possible and regional subcontractors where it is not. In all cases, competitive tendering is expected. Monitoring and evaluation of the work is the Government's responsibility, although this again could be tendered to experts.

Next Steps: Completing the Government's priority highway program will need to be undertaken in two stages. Additional feasibility studies will need to be undertaken on an urgent basis on the following road links: Doshi-Pol-e Khomri; Pol-e Khomri-Kunduz-Shirkam Bandar; Pol-e Khomri-Mazar-e Sharif-Sheberghan-Herat; and Kabul-Herat (central route). Construction can commence on the Kabul-Doshi road once the funding modalities have been agreed. Once all feasibility studies have been completed the Government will actively seek funding for the construction of these highways on an urgent basis.

In advance of the SIDA review, a feasibility study is needed to prioritize the regional airports and identify those that will need rehabilitation under all possible scenarios. The Government would seek funding for these airports in advance of the final outcomes of the study acknowledging the critical need for urgent action to bring the country together in this way.