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 President
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AFGHANISTAN:
 Rebuilding Our Nation

President's Statement

There is a consensus in Afghan society: violence as a means of compelling the majority to submit to the will of a few isolated individuals must end. National reconciliation and respect for fundamental human rights will form the path to lasting peace and stability across the country. The people's aspirations must be represented in an accountable, broad-based, gender-sensitive, multi-ethnic, representative government that delivers daily value. This consensus forms the foundation for a vision of a prosperous and secure Afghanistan.

We have set out our vision for Afghanistan's future in our National Development Framework (NDF), articulated our priorities through 12 national programmes, and laid down broad strategies in each programme area. The NDF underpins our National Development Budget, where programmes are costed, specific projects presented, and hard choices made. We are working closely with donors to ensure your support reinforces our priorities.

Our developmental strategy has three pillars:

- **The first pillar is to use humanitarian assistance and social policy both to create the conditions**

for people to live secure lives and to lay the foundations for the formation of sustainable human capital.

- **The second pillar is the use of external assistance to build the physical infrastructure of the country and to develop its natural resources in a way that lays the basis for a private sector-led strategy of sustainable growth.**

- **The third pillar is the development of a competitive private sector, which becomes both the engine of growth and the instrument of social inclusion through the creation of opportunity.**

- **Cutting across all our activities are issues such as gender equity, security and rule of law, and administrative and financial reform.**

The state has a clear set of responsibilities: It must provide security, invest in human capital, and articulate and implement a social policy focused on assistance to the vulnerable and the elimination of poverty. It must create an enabling environment for the activities of the private sector, make effective use of aid to attract trade and investment, and put the economy on a sustainable path to growth. We do not envisage our government as the inflated producer and manager of the economy, but rather as the lean,

efficient, accountable regulator and promoter of the entrepreneurial energies of our people.

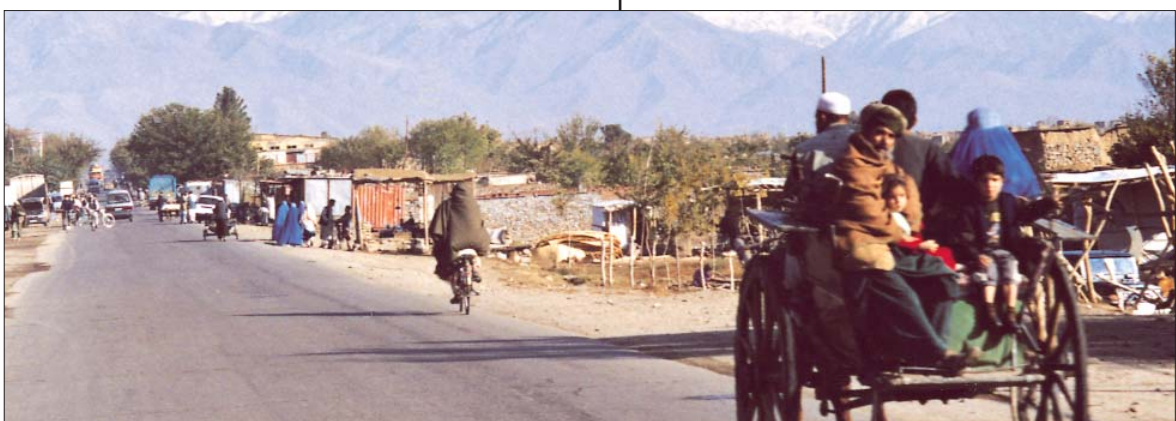
Our children – girls and boys – need education, our sick need access to medicine, and our people need jobs; we will train the teachers and open the schools, we will repair the hospitals and restock their supplies, and we will enable the private sector's enterprises. We thus need an effective central government that further consolidates national unity on the basis of strong institutions and rule of law. Simultaneously, we support community level participation and effective management of development at the local level. There is much difficult work to be done by every Afghan-and many obstacles to overcome – but our people deserve nothing less than our finest effort.

We deeply appreciate our close partnerships with communities, NGOs, donors, UN agencies, ISAF and the national and international private sector to realise our shared vision with the Government in the driver's seat. As the legitimate representative of the Afghan people, it is our key task to create the lasting institutions and organisations that will embody principles and practices of good governance.



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Introduction

The presentation of the six National Priority sub-Programmes outlined in this booklet represents a key milestone in the design and implementation of the Government's social and economic reconstruction agenda. The sub-Programmes are an interim step between the vision first outlined by the Government at Tokyo and a fully integrated development and operating budget scheduled for presentation to the donor community at the Consultative Group Meeting in March 2003. The needs of the communities and the aspirations of the ordinary Afghan women and men are so high that it is neither feasible nor desirable to wait for a fully articulated work programme before directing resources to obvious priority areas.

At the Tokyo Conference the new Government of Afghanistan outlined its vision for a prosperous, secure Afghanistan; a nation built on a credible State with a transparent and accountable administration, a well-developed civil society with democratic institutions supporting and being supported by the rule of law. In this environment an effective and competitive private sector will flourish allowing the people of Afghanistan to realize the potential of their own natural and human resources.

Following extensive consultation among Government Ministers and

senior officials, the National Development Framework (NDF) was produced. The NDF articulated a strategy to develop this vision and it was presented to the international community at the first Implementation Group Meeting in April 2002. Drawing on international best practices and building on half a century of development experience, the NDF presented a programmatic approach to policy making and resource allocation through twelve national programmes:

- 1 Refugee Return;
- 2 Education;
- 3 Health & Nutrition;
- 4 Livelihoods;
- 5 Culture;
- 6 Transport;
- 7 Urban Management;
- 8 Energy, Mining & Telecommunications;
- 9 Natural Resource Management;
- 10 Trade & Private Investment;
- 11 Public Administration;
- 12 Security & Rule of Law.

Key issues such as gender, environment and humanitarian aid were presented both as cross-cutting issues, but also mainstreamed in the programmes.

The National Development Budget (NDB) is the elaboration of the NDF into a series of detailed programmes and the specific projects

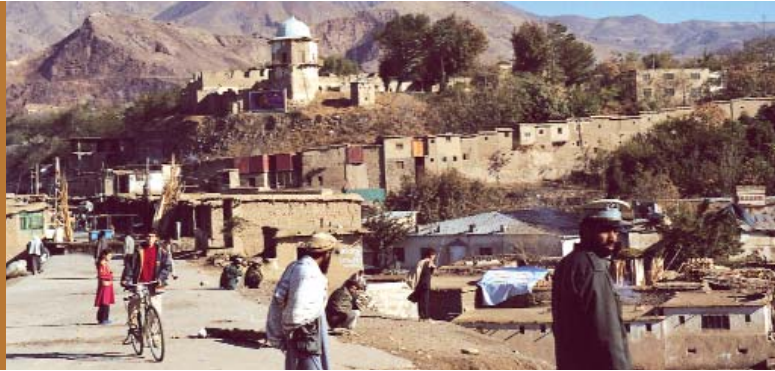
within each programme. Following a further round of consultations between the Government and its development partners, a working draft of the NDB was presented at the second Implementation Group meeting in October. A full NDB, integrated with an operating budget to cover the recurrent expenditure will be prepared for March 2003 to March 2004 and will be presented to donors for consideration at the first full Consultative Group meeting in March 2003.

Each programme in the NDB will be prepared through a consultative





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process with the key Ministry leading a local group process involving both donors and international agencies. For the first time in Afghan history the resourcing decisions presented in the budget will be informed by a series of provincial level consultations. Four special advisory groups have been set up in the areas of humanitarian assistance, human rights, gender and environment to ensure that cross-cutting issues are addressed. They will function as task forces to interact with the relevant ministries and other stakeholders to recommend mechanisms to ensure these issues are mainstreamed within the budget, project design and other Government activities.

Accompanying the integrated development and operating budget in March, will be a series of self imposed Government benchmarks. These benchmarks will outline the timetable for the Government's reform agenda and will complement the expenditure plans presented in the budget. Lessons from the experiences of international assistance show that assistance is most effective when the development agenda is domestically owned. Conditionalities work better when they are domestically owned. The host country will strive to go beyond its reform agenda, rather than seeking to do just enough to satisfy those who imposed the conditionalities. The Government will prepare a set of benchmarks in five domains of reform-administrative, financial, judicial, security and socio-economic – which it will present to the donors and seek their feedback and inputs in January and February.

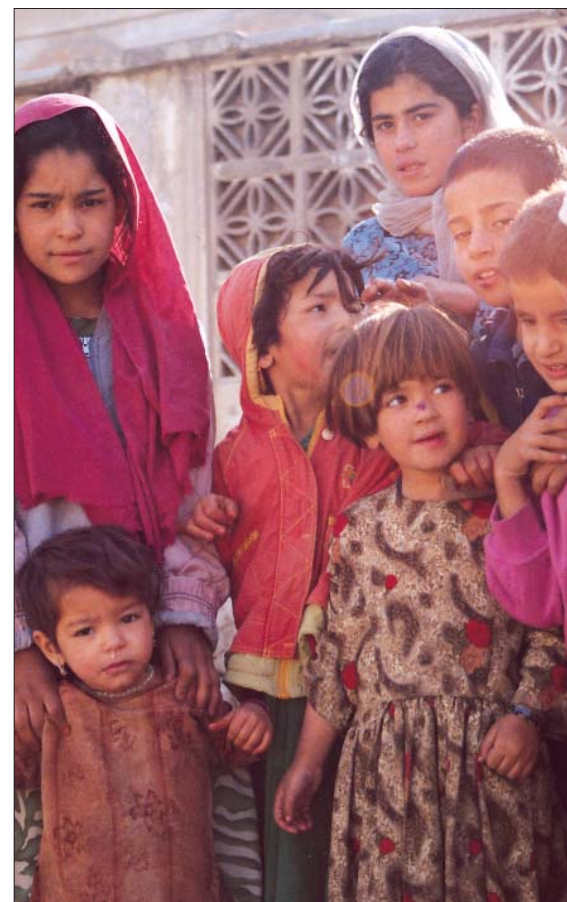
As an interim measure, pending the finalization of the NDB, six priority projects were extracted from the Working Draft and agreed upon by the Government as representing the nation's highest priorities for donor funding. The Government recognized that the needs are too urgent and the aspirations of the community too high to allow a delay of an additional five months before implementation commenced. Rather, the 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 priority of the programmes 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, would be maintained even once the NDB was completed; and
- easily and quickly implementable – often after a feasibility study that could be also quickly undertaken, or involving the upscaling of an existing project.

The Government has adopted, through the Economic Coordination

Committee, a decision to direct additional resources to those provinces which are most vulnerable and do not have large numbers of NGOs implementing bilateral-financed programmes, or internal resources flowing from customs. These include all those provinces which do not include major cities. Consultations will be held with these needier provinces to select projects from within the six national priority sub-programmes for speedy implementation.

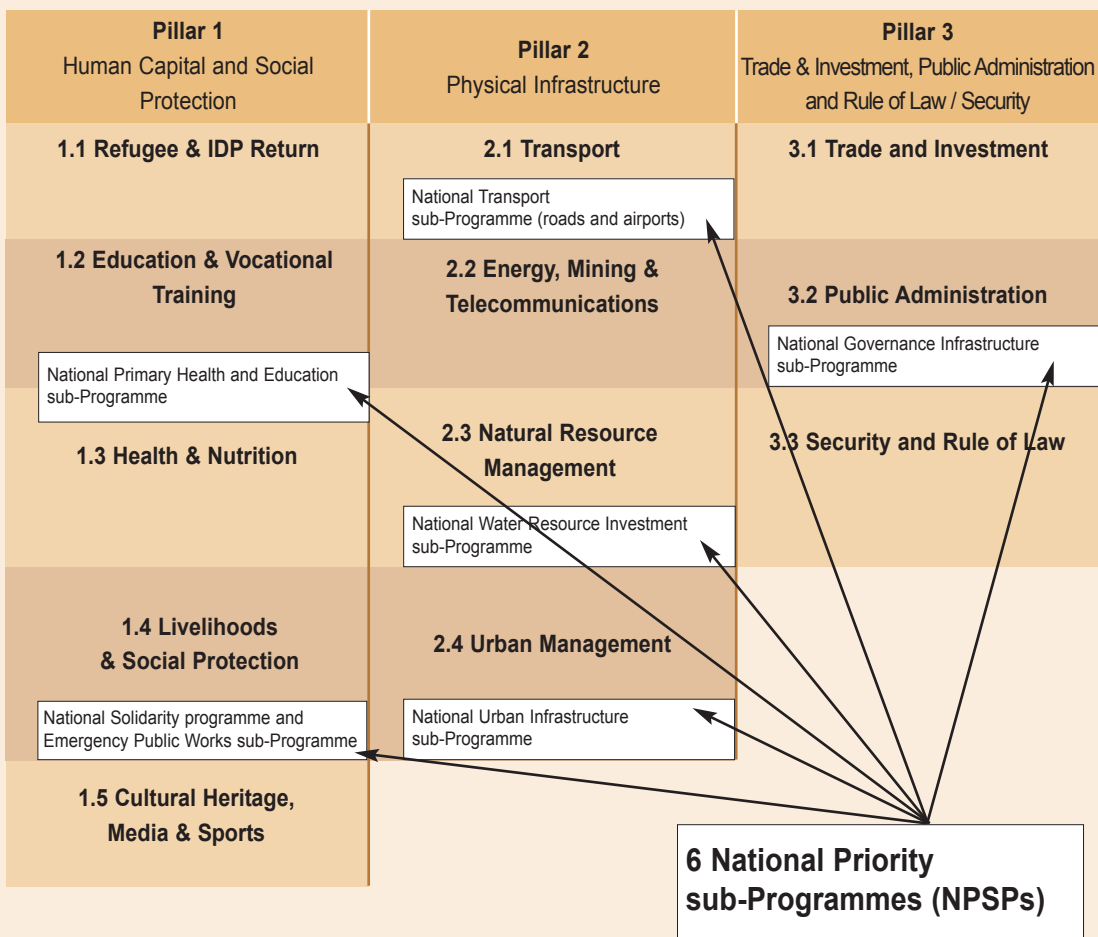




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P I L L A R S

**Relationship between the 3 Pillars,
the 12 National Development Programmes and 6 National Priority Sub-Programmes**





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Implementation

PROGRAMMES TO PROJECTS

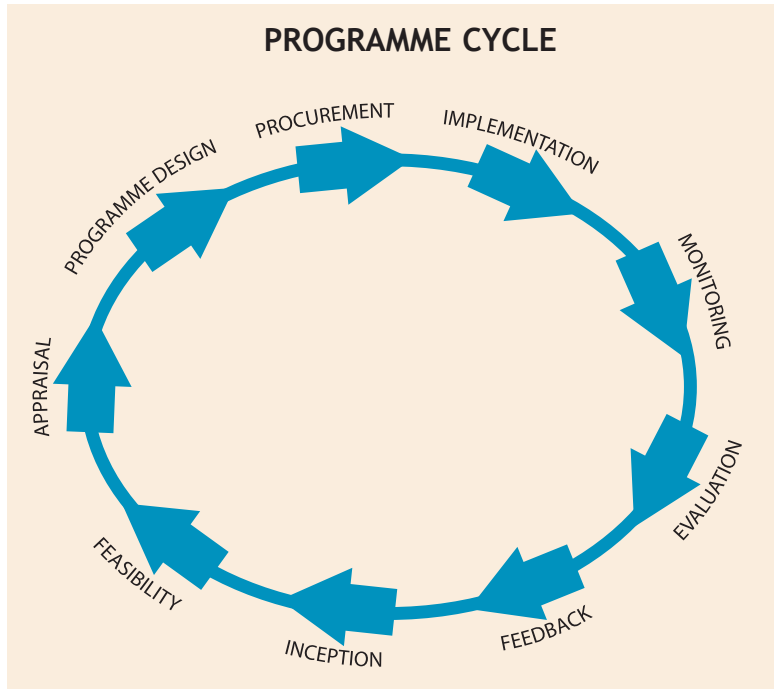
Investment projects, unless they are anchored in coherent programmes of government, are not sustainable. A key objective of Government has been to develop a programmatic approach to reconstruction in order to avoid proliferation of unfocused project activity and to give strategic direction to development partners.

Programmes, unless they are translated into feasible projects, do not result in reform or results on the ground. The initial six sub-programmes are being developed into concrete projects according to the process outlined below.

FEASIBILITY STUDIES FACILITY

The Government has created a Feasibility Studies Facility in order to provide line ministries with the resources necessary to design programmes and projects. The Facility will be supervised on behalf of government by experienced task managers, including those who have retired from the World Bank and Asian Development Bank.

Expressions of interest have already been received from consultants wishing to participate in the design of the national programmes in the areas of urban, national infrastructure of government, water resources, transport, and education.



GOVERNANCE

TRANSPARENCY

Since April 2002, the Government has introduced a series of measures to ensure that government management of the reconstruction process adheres to the highest standards of governance and developmental ethics. Recognising that accountable and transparent government processes were critical to securing direct donor support for national programmes, the Government has contracted through a competitive

process three international companies of high repute to provide interim management and build government capacity in the key areas of accounting, procurement and audit.

The Government is committed to the highest levels of transparency. The Government has adopted an open-book policy and will be introducing improved public information dissemination processes in 2003 designed to provide greater public and donor awareness of the national programme of reconstruction.



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ACCOUNTING

The Ministry of Finance in partnership with BearingPoint Inc (formerly KPMG consulting) has centralised and computerised all payments in Kabul. A Grant Management Unit has been established for management of donor funds, and a new chart of accounts allows for tracking of donor funds by sector, donor and programme as well as by account code. The year 2003, will see a roll-out of the financial and payments system throughout Afghanistan across ministries and levels of government, enabling the Government to have improved tracking of resource utilisation. A second project to provide a Chief Financial Officer/Adviser to the ten major developmental ministries will be financed through the Afghanistan Reconstruction Trust Fund.

PROCUREMENT

The Government has contracted the Crown Agents to provide procurement support for all government and donor-funded purchases. Since July, 40 international competitive tenders have been placed, including those for national roads, telecommunications, national fuel supply, emergency public works, main generator rehabilitation and vehicles, and a further 70 are in the process of being placed. The total value of work in hand is \$220 million. Government has undertaken preparatory work on a national procurement law. In 2003, the Government will launch a major initiative to develop sustainable national procurement capacity.

AUDIT

The international firm Pannell Kerr Foster has been contracted to provide support to the Government national audit office. This programme will radically improve the Government's ability to identify endemic systemic fraud and develop strategies for countering corruption.

AID TRACKING

A comprehensive interactive web-based information management system known as the Donor Assistance Database has been developed by the AACA. It provides potential development partners with a clear overview of government activity by sector, donor and geocode. Aid coordination officers based at AACA have been assigned to donors and programmes to facilitate information flows between ministries and donors.

MONITORING AND EVALUATION

Discussions are well advanced with the UN and donor community to develop standardised outcome-related monitoring and evaluation systems for national programmes. In 2003, the

focus of activity will be on development of performance-based indicators, benchmarking and early warning systems.

CAPACITY-BUILDING

The Capacity-Building Group initiative of government is a holistic programme of support to all 32 ministries in Kabul. It aims to provide basic skills for staff working directly with ministers on implementation of national projects. In 2003, this will be expanded to include provincial groups in Herat, Mazar, Kunduz, Jalalabad, Kandahar and Bamiyan.





National Solidarity (Hambastagie Millie) and National Emergency Employment Programme

THIS SUB-PROGRAMME HAS TWO COMPLEMENTARY COMPONENTS

- 1 National Solidarity (NSP) will provide block grants to communities to enable them to implement locally designed community based projects.
- 2 The National Emergency Employment Programme (Labour intensive public works) will be expanded to provide nationwide coverage.

RATIONALE

Providing grants empowers communities, enabling them to plan and instigate such community priorities as local infrastructure (water, sanitation, feeder roads, health and education facilities, etc.). NSP also

provides a building block in the Government's plans for administrative capacity building at local level. The National Emergency Employment Programme provides a minimum wage through employment creation, which generates income to facilitate

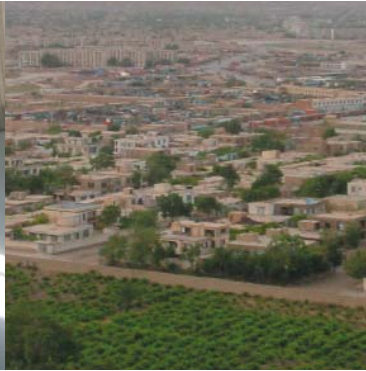
consumption smoothing & enhance human security. These programmes address development of rural infrastructure, reintegration of refugees and demobilisation of ex-combatants, providing quick wins with respect to security, national integration and employment creation.



BACKGROUND

The NSP programme recognizes that in the absence of effective and legitimate government in Afghanistan over the last decades, many communities have been self-sufficient and self-governing. The assumption underlying the NSP is that communities can best articulate their priorities and that they are able to manage their own funds. It also recognises that efficiencies can be achieved by reducing the number of levels between the funding source and the beneficiaries

A labour-intensive project, financed by a World Bank grant, is already being implemented. The current pilot project will have provided around 1 million person days of labour. Priorities for geographical



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targeting during scale up will be determined by a number of criteria including levels of poverty and vulnerability to hunger (4.3 million rural people as assessed by the Vulnerability Analysis Mapping exercise undertaken by WFP and NGO partners during 2002), density of return for refugees and ex-combatants etc. Government has supported reduction in total levels of food aid for 2003 on the basis of its commitment to ensuring widespread access to cash based emergency employment by those who are otherwise unable to generate income. The Government wishes to upscale this project expanding from 12 to 32 provinces, with a focus on areas of return for ex-combatants.

INTENDED OUTCOMES:

- Empower individual citizens and communities across the country to become directly involved in designing and implementing the reconstruction process.
- Use scarce donor resources efficiently and effectively by having communities select what they need and by reducing the overheads associated with multiple layers of government and international agencies;
- Reinforce and lay the basis for local democratic decision-making processes, involving men and women, providing a basis for local governance that could link into future elective processes;
- Assist in the reintegration of returnees and ex-combatants into their recipient communities.
- Send signals to counter

urban migration by focusing on rural areas.

- Infuse cash into local economies to increase purchasing power for basic needs.

IMPLEMENTATION

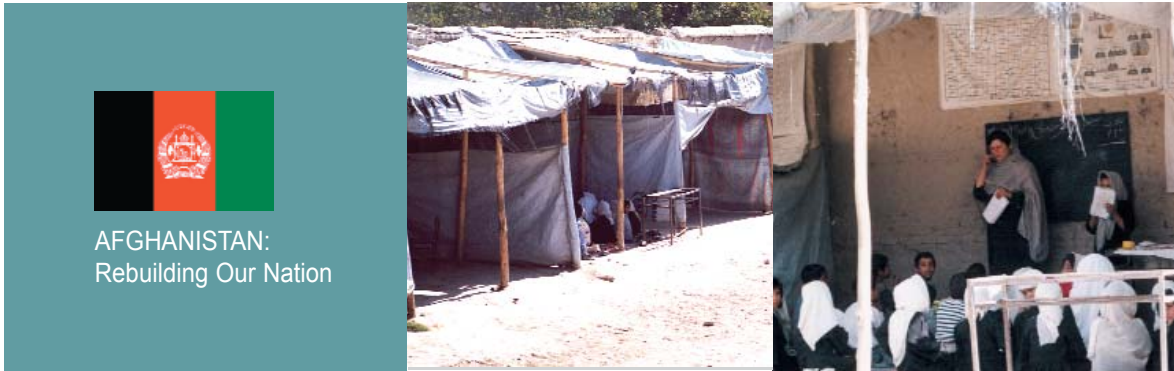
NSP, supervised by the Ministry of Rural Development, provides a framework for the direct disbursement of block grants from the centre to communities. An operations manual, guides application of funds and outlines accountability and transparency mechanisms - including sanctions for non-compliance. Facilitators will coach communities and monitor disbursement. Communities can organise their own labour or contract firms and NGOs. The initial grant size is \$20,000 per community. A comprehensive operations manual has been finalised. The first pilot phase targets at least two districts in every province, with implementation in over 2,400 communities in the first six months of implementation. If funding is available the target is to provide a grant to every community over the next 18 months.

The Government has committed US\$30 million of its own resources through ARTF to immediate scaling up of a National Emergency Employment Programme based on the success of the pilot phase and the humanitarian requirement to ensure that during the early stages of national recovery, the critically poor and vulnerable groups are able to access a minimum daily wage where no other opportunities exist. Implementing partners will continue to be allocated funds based on a transparent competitive selection process, encouraging increased collaboration and partnership between NGOs and private sector construction companies. A multi-agency task force has been set up at national level to enhance coordination and a management unit is currently being established within the Government. The generation of a programme document is underway to bring increased policy coherence among all partners.

FUNDING REQUIREMENT

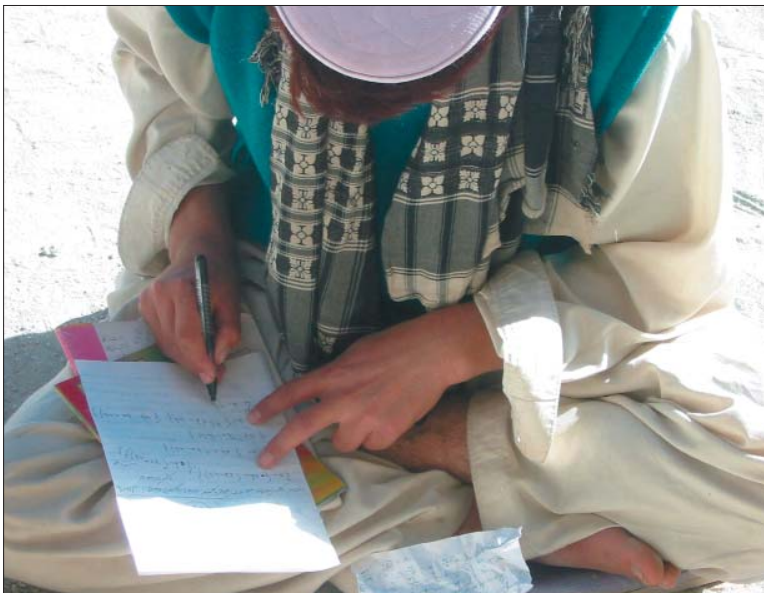
Establishing and expanding these sub-programmes will cost \$400m in the 18 months until mid 2004. The Government is seeking donor support to achieve this.





National Primary Health and Education Sub-Programme

Following further discussions with line Ministries and other key stakeholders, and reflecting the nature of the vertical projects proposed by UN agencies under TAPA, it has been decided to broaden the focus of the National Education Infrastructure programme to develop a programmatic approach including both health and education. It has therefore been renamed: **National Primary Healthcare and Education sub-Programme**



to improve primary health and education indicators. School and clinic building programmes will reinforce the presence of Government and act as a symbol of the vision of the central government to bring social welfare improvements to the population.

Buildings are not enough - teachers must be trained, curricula refined, textbooks bought, standards established and monitored. Health sector immunisation coverage must be increased; midwives trained; essential drugs purchased & distributed; public awareness campaigns mounted.

Coherence of strategy and coordination is essential in both sectors. The Government will move forward rapidly in both areas, guided by the experiences of sector-wide approaches in other countries. Our strategy acknowledges the need to move towards a coherent programmatic approach.

SUMMARY

Both education and health priorities are to be targeted under this sub-programme. It seeks to achieve two main objectives:

- i) To rapidly rehabilitate or construct primary schools and primary health facilities across the country through a dedicated school and clinic

building fund;

- ii) To develop capacity to manage these sectors in a coordinated sector-wide approach, moving rapidly from the current system of having stove-piped vertical projects.

RATIONALE AND STRATEGY

The objective is to make rapid progress

BACKGROUND

The provision of primary education



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and primary healthcare is dire. International indicators for education and healthcare are extremely poor by international standards and must be raised rapidly.

i) Quality education is the foundation for poverty reduction and economic growth. Children, youth and adults have been deprived of access to education, with girls and rural populations particularly disadvantaged. The Afghan population has demonstrated its yearning for education with a rapid increase in enrollment. This remarkable response brings with it many challenges.

ii) Improved healthcare at primary level is affordable, of immense social benefit and will maximize the potential of people. We shall seek to empower people by giving them access to those services that most directly benefit their health and lifestyle choices, together with improved health information and public awareness campaigns.

INTENDED OUTCOMES

- **Education: To provide ten functioning primary schools in every district over the next twelve months, equipped with furniture and teaching materials; inset and fast track training of teachers will be initiated;**

- **Health: To build clinics and primary health support infrastructure, especially in disadvantaged provinces; to fast-track the provision of nurses,**

midwives and clinic staff

- **Cross-cutting: A coherent strategy will be developed for both sectors, with a shift from multiple vertical programmes and an introduction of an integrated approach that coordinates the activities of our partners, whilst strengthening policy making and the establishment of standards; community participation will be encouraged in both sectors.**

- **Support to the health and education sectors will demonstrate the priority that the Government places on the development and health of children.**

IMPLEMENTATION MODALITIES

1. Establishment of a school and clinic building fund. This fund will implement construction through:

a) **Construction contracts:** These Contracts will be tendered through an international procurement process with the private sector for design and supervision and sub-contracted to local firms and NGOs; and

b) **Block grants for village based basic literacy programmes:** Block-grants will be given directly to communities on a pilot basis for a village based basic literacy programmes. This builds on the practice of community-run schooling and home-based teaching (linked to radio) under the Taliban. The programmes would provide resources to parent-teacher organisations linked to the community institutions under the National Solidarity Programme, to allow for community-organised 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.

2. Programme design and technical assistance

Experts in education and health policy, budgeting and programme and project design will be contracted under the ARTF Feasibility Studies Facility to develop programmatic approaches to ensure a strategic approach and linkages between the phasing of construction of schools and clinics and institutional strengthening.

FUNDING REQUIREMENT

The Government is seeking \$150 million to fund the first phase of this sub-Programme.



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National Transport Sub-Programme

This sub-programme will accelerate the reconstruction of Afghanistan's roads and airports by preparing pre-feasibility and feasibility studies of key roads and airport facilities that are not being funded by international donors. It will seek co-financing of implementation of these projects, especially from Gulf and other Islamic states that have project funding available but are reluctant to become involved in the project preparation process.



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 programmes. A strategy for regional airports, including the number of smaller regional airports, must be refined and implemented.

BACKGROUND

23 years of neglect of physical infrastructure have radically increased travel times and costs in Afghanistan. Twenty-five years ago it took four hours to travel from Kabul to Kandahar, now it takes fourteen. 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.

RATIONALE AND STRATEGY

Given the appalling state of Afghanistan's infrastructure, it is essential that progress is made on the reconstruction of the primary, secondary and tertiary road network. In addition, airport and airstrip reconstruction can assist in improving international and domestic air routes, thereby contributing to the

unification process. Reconstruction takes time. By enabling the Government to take the lead on some projects not earmarked by donors the Government will accelerate the preparation of high priority, bankable projects.

The Government has clearly indicated that a national programmes



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At this moment in Afghanistan's history, the symbolism of a national transportation network bringing the country together cannot be underestimated.

INTENDED OUTCOMES

- Accelerated investment in road reconstruction and completion of key road links;
- Rapid improvement in provincial airports and airstrips and the contracting of an internal air service to run regular links;
- An improved project pipeline;
- Increased mobilization of donor funding in the transport sub-sector.

PROGRESS TO DATE

Donors have responded positively to the Government priorities. Major portions of the road program have been funded. 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. 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 is funding a broad transport sector review, which is scheduled to report in June 2003. The Government's capacity to manage projects in the road sector has been strengthened.

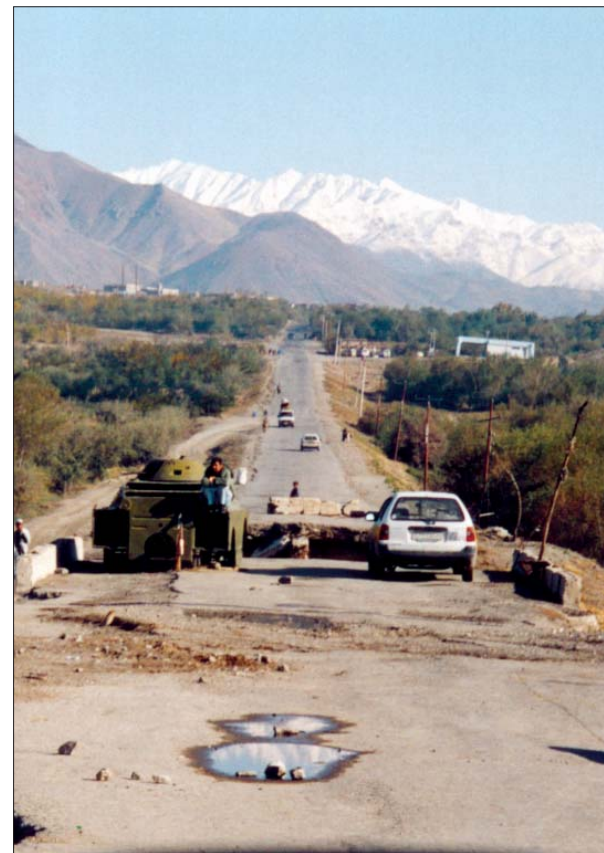
IMPLEMENTATION MODALITIES

Supporting our commitment to both a

private sector led model of reconstruction and to overall transparency and accountability, the Government will outsource key activities such as project preparation to major consulting companies. 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 will be required in accordance with World Bank regulations. Monitoring and evaluation of the work is the Government's responsibility, although again this may be tendered to experts.

Completing the Government's priority highway programme 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: Taloqan-Faizabad; Pol-e Khomri-Mazar-e Sharif-Sheberghan-Herat; and Kabul-Herat (central route). The Government is actively seeking funding for the construction of these highways on an urgent basis.

In advance of the SIDA review, a feasibility study is needed to prioritise the regional airports and identify those that need rehabilitation under all possible scenarios. The Government is seeking funding for these airports in advance of the final outcomes of the study, emphasising



the critical need for urgent action to bring the country together in this way and provide linkages for economic and political reasons.

FUNDING REQUIREMENT

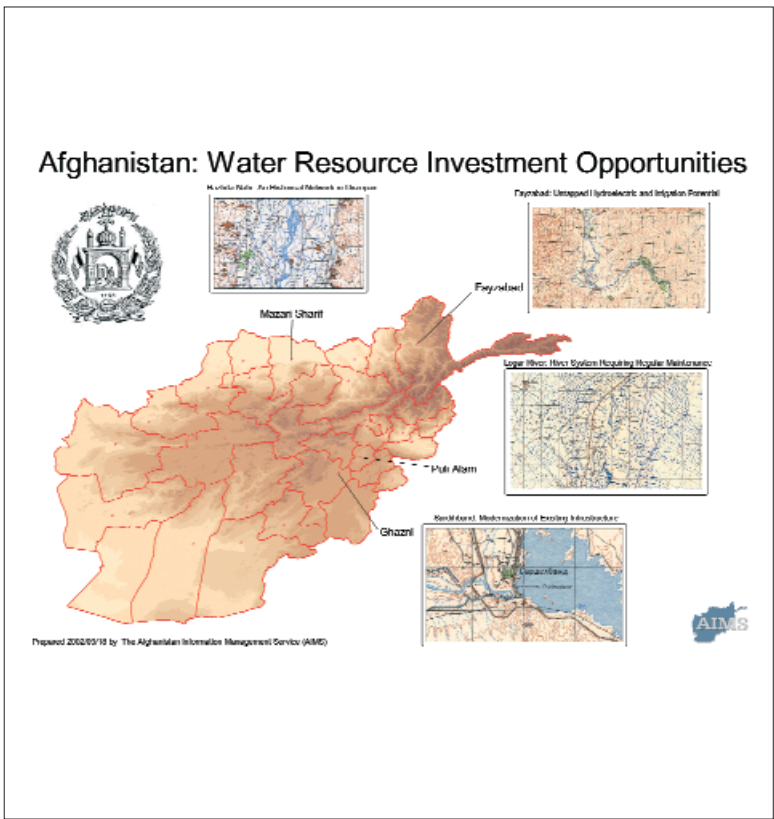
The Government is seeking additional financing of \$200 million for the first two stages of this project to cover rehabilitation of provincial airstrips, contracting of internal air services and feasibility studies and reconstruction of portions of the highway network.



National Water Resource Investment Sub-Programme

This sub-programme will focus on the key areas of water resources, in order to

- 1 Develop rational water resources policies
- 2 Conserve and utilize water resources effectively
- 3 Restore canals and irrigation channels
- 4 Collect and coordinate data about water resources
- 5 Develop dams and other storage methods in order to retain water for household consumption, irrigation and power generation.



The Government acknowledges the results of the World Commission on Dams, and will ensure that the development of all water resources, including dams, is undertaken in a way that takes full account of environmental, social and economic issues.

RATIONALE AND STRATEGY

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 three priorities – the Government is determined to manage and develop water resources effectively. Investment in irrigation systems and in small and medium-sized multipurpose dams will reduce wastage. Improved management will



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help to ensure that the water resources of the country are utilized effectively, thereby providing sustainable livelihoods for the poor.

Afghanistan has extensive networks of canals, some of which were developed as part of systems which date back thousands of years. Despite this only 2-4% of land is used for cultivation. Since access to water is the limiting factor, targeted investment will expand the size of the irrigated area, thereby helping to create 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 domestic consumption.

BACKGROUND

Environmental degradation, particularly loss of forest cover, urbanization, population pressures and inadequate maintenance have all created pressure on water resources. Data records - for example those held by the Geological Survey - were destroyed in the conflict, and there is a paucity of accurate records of water table levels. Many records are kept by NGOs and other stakeholders and there is a need to collate and analyse such data sources.

PROGRESS TO DATE

The absence of comprehensive, international-caliber feasibility

studies of water resource investment opportunities has constrained progress. Despite this several donors, most notably Saudi Arabia, have expressed interest in contributing to this highly visible program. The Government has engaged experts to lead a team to develop and supervise its water resources strategy and to oversee specific projects.

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

- **Extensive 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 utilisation.

- **Potential sites for hydro-electric 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.**

FUNDING REQUIREMENT

The Government is seeking financing of \$300 million for the first phase of rehabilitation and reconstruction, and in addition:

- Donor commitment to contract international consulting firms 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.





Urban Infrastructure Sub-Programme

THIS SUB-PROGRAMME ADDRESSES THE MAJOR NEEDS OF THE URBAN POPULATION

- 1 Finalisation of a national urban reconstruction plan.
- 2 A quick start project to provide serviced land for housing, facilitating self-build and other housing.
- 3 A reconstruction support project to facilitate reconstruction of damaged areas such as West Kabul, thereby relieving pressure on other parts of Kabul.
- 4 A project to regularize unplanned areas and facilitate improvements to services in these areas;
- 5 A project to improve land registration, property valuation, land survey and demarcation and to develop land dispute resolution mechanisms.
- 6 An integrated urban environment project, to improve coherence of solid waste, water, air quality and urban transport.
- 7 An urban employment workspace project, to provide serviced land (with the private sector) and accommodation for enterprises.
- 8 A project to mobilize the financial sector with respect to property, to ensure that the Government expenditure is targeted, develop a mortgage market and to review the potential for property taxation.
- 9 A package of support to smaller settlements, as part of the Government's commitment to spatial equity and to reduce rural-urban migration.
- 10 Capacity building support for the Ministry of Urban Development and Housing, key Municipalities and other stakeholders.





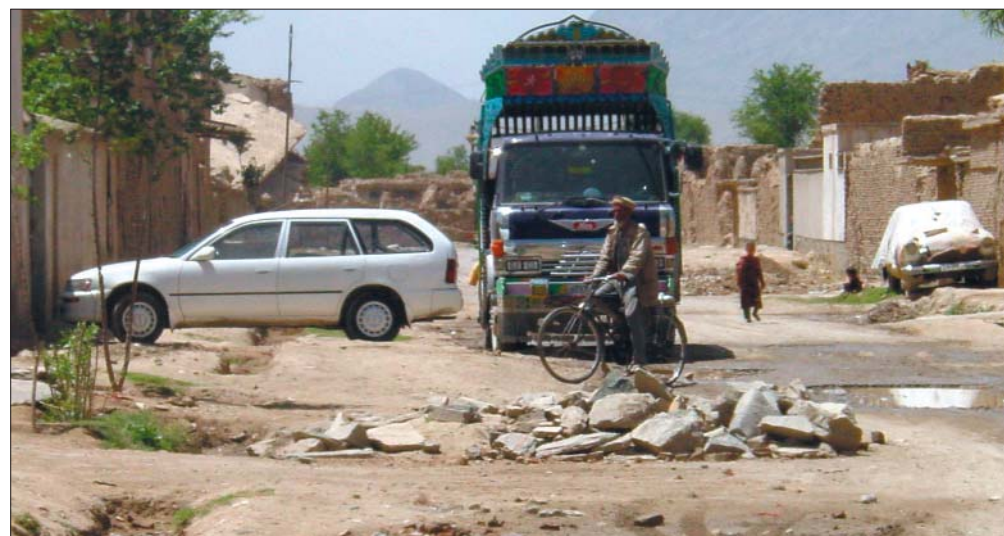
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RATIONALE AND STRATEGY

The vision is to create well functioning cities that are inclusive, efficient and self-sustaining, that encourage collaboration and participation between the urban population and public sector stakeholders. Effective urban management is 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 interventions is critical. Housing pressures are immense and serviced land must be made available quickly in order to facilitate the urban population to rebuild housing in a planned manner. The reconstruction process in damaged areas provides an opportunity to ensure that adequate services are provided, although this will require focused management. The Government, in line with national policy direction, will act as a catalyst, providing funding and direction but avoiding interventions that will require ongoing subsidy.

In urban areas 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%. The health consequences of this low level of provision is stark - across the country diarrheal diseases account for 22% of deaths of children aged 0 to 1 year old. Other priorities include transport improvements and steps to improve air quality.

PROGRESS TO DATE

A major international conference on urban management took place in Kabul in September 2002. This contributed to providing direction to the draft urban reconstruction plan.

FINANCING REQUIREMENTS

The Government identified investment in urban infrastructure and services totaling approximately \$95 million. A series of projects are currently being developed as described in the summary above.





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National Infrastructure of Governance

THIS SUB-PROGRAMME WILL INCLUDE

- 1 A needs assessment for Government buildings, that includes an asset and condition survey of existing buildings and a public sector needs consultation, to establish anticipated requirements;
- 2 A national architectural competition for design of new government buildings;
- 3 A building programme to achieve coordinated development of infrastructure of Government.



BACKGROUND

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.

RATIONALE AND STRATEGY

- Restore the physical presence and dignity of government throughout the country, by building and providing basic equipment to combined government office complexes to meet requirements across the 328 districts and 32 provinces.

- This will also establish a standard at the district and provincial level to prevent a mushrooming of government offices and functions.

- High standards of accountability and transparency will be achieved by, amongst other initiatives, deploying internationally trained Chief Financial



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Officers in key development ministries.

- Capacity building groups are being established within key ministries and provinces to provide an engine for learning and reform within the Government.
- A cadre of senior and junior civil servants to be paid at an increased rate to form the kernel of the rejuvenated civil service. Social safety nets will be established to ease transition and restructuring of the civil service.

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 has been put out to tender to 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, is establishing capacity building groups and will identify the cadre of senior and junior executives and those staff eligible for early retirement.

FINANCIAL REQUIREMENTS

The Government is requesting donor support to finance the implementation phase, which is estimated to cost \$70 million.

Total Financial Requirements for 6 priority sub-programmes over the first 18 months

Name of sub-programme	Financial Requirement
National Solidarity Programme and Emergency Public Works	\$400 million
National Education and Health Infrastructure	\$150 million
National Transport	\$200 million
National Water Resources	\$300 million
National Urban Institutions and Infrastructure	\$95 million
National Infrastructure of Governance	\$70 million
Total financial requirements for 6 priority national sub-programmes: \$1.215 billion	



Next Steps



Programmes must be funded. There are three ways for this to occur These are:

- 1) by direct contribution for designated purposes, to be administered by the Ministry of Finance;
- 2) through Trust Funds administered by International Organisations before being channeled to the Ministry of Finance - eg. The Afghanistan Reconstruction Trust Fund; and
- 3) by direct support to private sector organisations to carry out government identified priority projects.

It is preferred that the six sub - Programmes outlined now will be funded by the first of these ways - this is by direct contribution.

Donors who propose to contribute may wish to reach agreement with the Government of Afghanistan on the terms of their contribution. A standard financing agreement has accordingly been drawn up, which can be negotiated individually with each donor, to provide, among other things, for the modalities of making contributions, the designated use of funds and reporting. Details of the sub-Programmes on which the contributed funds will be used will be contained in a separate



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implementation document which, together with the periodic progress reports, will be made available to donors.

**DIRECT CONTRIBUTION
ADMINISTERED BY THE MINISTRY OF
FINANCE**

This, the preferred approach for funding of the Afghan Government, will allow contributions by donors to be made directly to the Ministry of Finance for use on any or all of the designated projects. The Ministry will open dedicated bank accounts for each of the projects with the Da Afghanistan Bank and, if required, separate accounts at one of the Bank's offshore account locations. These will be set up to receive donor contributions and to meet project expenses.

Processing and accounting will be carried out by the Treasury Department of the Ministry of Finance using the FreeBalance based Financial Management Information System recently installed under the World Bank Emergency Public Administration Project contracted to BearingPoint Inc (formerly KPMG Consulting).

ACCOUNTING STRUCTURE

The accounting system has been structured to provide the data necessary to assure both the Government and donors that funds provided for designated purposes are used for those purposes and reported accordingly. This is achieved by allocating fund, organization, location, and economic classification

codes to every item of expenditure made by the Government. These codes are associated with individual projects to ensure that all expenditure is in accordance with the joint decisions of the Government and donor.

Each of the Projects described above will have a fund code that corresponds with the Da Afghanistan Bank account relating to the Project. These accounts will be regularly reconciled, with controls put in place to ensure that expenditure does not exceed contributions unless supplementary funding has been provided through the Government's budgetary processes.

PROJECT IMPLEMENTATION

Implementation of each Project will become the responsibility of a designated Ministry. Close liaison will be maintained between that Ministry,

the Ministry of Finance and AACA to ensure that the Project is properly implemented both technically and financially. The Ministry of Finance has established a Grant Management Unit, and the AACA has established a Feasibility Studies Facility, staffed partially by internationally recruited staff, specifically for these purposes.

