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Afghanistan

Counter Narcotics Trust Fund (CNTF)  
Annual Project Report [2008]



One of the many women trained in Carpet Weaving Project of CNTF is now professionally employed

**Project ID:** 00045781

**Duration:** October 2005 – June 2009

**Strategic Plan Component:** Crisis Prevention and Recovery

**Total Budget:** USD 900 million

**Total Unfunded:** USD 800,311,741 million

**Implementing Partners/Responsible Parties:** Ministry of Finance & Ministry of Counter Narcotics

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## CNTF Donors



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## Acronyms

AL	Alternative Livelihoods
ACBAR	Agency Coordinating Body for Afghan Relief
ARDS	Afghanistan Reconstruction and Development Services
ANDS	Afghanistan National Development Strategy
BEDT	British Embassy Drugs Team
CD	Capacity Development
CN	Counter Narcotics
CNTF	Counter Narcotics Trust Fund
CNPPs	Counter Narcotics Provincial Plans
CPAP	Country Programme Action Plan
DDR	Drug Demand Reduction
DFID	Department for International Development
EC	European Commission
GoA	Government of Afghanistan
ICB	International Competitive Bidding
INL	International Narcotics and Law Enforcement – USA
M&E	Monitoring and Evaluation
MA	Monitoring Agent
MAI	Ministry of Agriculture and Irrigation
MB	Management Board
MCN	Ministry of Counter Narcotics
MoEW	Ministry of Energy and Water
MLSA	Ministry of Labour and Social Affairs
MoF	Ministry of Finance
MoHE	Ministry of Higher Education
Mol	Ministry of Interior
MoPH	Ministry of Public Health
MoPW	Ministry for Public Works
MRRD	Ministry for Rural Rehabilitation and Development
MoWA	Ministry of Women Affairs
NCB	National Competitive Bidding
NDCS	National Drug Control Strategy
NEX	National Execution
PDC	Provincial Development Council
PDP	Provincial Development Plans
SPC	Special Procurement Committee
ToR	Terms of Reference
UK	United Kingdom
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNAMA	United Nations Assistance Mission for Afghanistan
UNODC	United Nations Office on Drugs and Crime
USAID	United States Agency for International Development

## Executive Summary

The year 2008 was marked by numerous achievements for the Counter Narcotics Trust Fund (CNTF). Notable examples are (a) the steady positive trend in disbursement, which increased from USD 7.8 million in 2007 to USD 14.2 million in 2008; (b) the number of projects completed; (c) the Government of Afghanistan (GoA) proposal on Reform and Restructuring, following the completion of a donors-led review, (d) the approval of the Comprehensive Management Plan by the Management Board, (e) extension of the Project Document till June 30, 2009, and (f) additional funding received for CNTF from EC and Italy and from USAID for the Good Performance Initiative (GPI) Window.

The CNTF (includes GPI) interventions have undoubtedly contributed to the overall efforts of the international community in increasing the number of poppy-free provinces from six in 2006 to 18 by the end of 2008.

Despite the above mentioned achievements, CNTF continued to face implementation (disbursement) challenges during the reporting period. Insufficient capacity within the Afghan governmental structures, coupled by an extremely complex process of procurement, continued to cause delays in the delivery of the CNTF resources and the implementation of individual projects. Among the 10 implementing Line Ministries (LMs), MRRD lagged far behind all others and two MRRD projects had to be cancelled. Insufficient financial resource for start-up activity by the national contractors also slowed down the pace of delivery of the GPI-funded projects.

In terms of institutional capacity building during the reporting period, considerable progress was made in supporting the CNTF management unit, which has grown to become an independent, highly efficient and well staffed unit. Similarly, within the LMs, the CNTF Monitoring Agent (MA) Team has continued to build capacity in financial management and proper reporting of the expenditures.

The CNTF Steering Committee recommended on 31 August, 2008 that a comprehensive management plan be developed in order to complete the currently-approved projects successfully while a new programme is developed, based on a provincial-based planning approach, where ownership of Counter Narcotics (CN) activities will be in the hands of provincial authorities while building on the lessons learned from CNTF.

This report provides a comprehensive overview of the activities undertaken by the CNTF during 2008. It also focuses on progress made towards different national and project level benchmarks and targets. Furthermore, it reports on the activities undertaken for the achievement of different outputs. It also focuses on challenges faced by the project and corrective measures taken to deal with the challenges. The final section of the report provides comprehensive details on financial status and utilization of financial resources by the project.

## I. Context

The CNTF, officially established in October 2005, is a multi-donor funding source that contributes to fulfilling the objectives of the National Drug Control Strategy (NDCS) of Government of Afghanistan (GoA). The NDCS remains the overall policy and strategy for Counter Narcotics (CN) activities. The key principles behind the Trust Fund (TF) are to provide additional resources for the Government's CN efforts through the national development budget, thus enabling the GoA to have greater ownership over implementation of its CN strategy, ensuring transparency and accountability in allocation of the resources and promoting greater coherence in the funding of CN related activities among the international partners.

CNTF is implemented as per the National Implementation (NIM) modality and as such the GoA retains the overall responsibility for CNTF through its designated institutions: the Ministry of Finance (MoF) and Ministry of Counter Narcotics (MCN). The Line Ministries (LMs) serve as the implementing partners of projects funded by CNTF and work closely with the MCN to identify, develop and implement CN related activities and projects within their mandated areas. The MCN is responsible for coordination, policy making, monitoring and evaluation of all CN activities including efforts at both national and sub-national levels.

UNDP, as the administrator of the TF ensures the management of the Fund while ensuring national leadership, effective and efficient delivery. UNDP is responsible for supporting the GoA in mobilization of resources for the fund, coordination and management of the fund in accordance with the UNDP financial rules and regulations; reporting and liaison with relevant partner institutions and stakeholders.

CN is one of the 6 cross-cutting issues cited in the Afghanistan National Development Strategy (ANDS). The cross cutting strategy is the NDCS, which ensures that all line ministries play an active role in contributing to CN aims and objectives. Specific benchmarks have been set up to monitor the progress. The 2 core Benchmarks of ANDS state that 1) "By Jaddi 1389 (the end of 2010) the Government will design and implement programs to achieve a sustained annual reduction in the amount of land under poppy and other drugs cultivation, by strengthening and diversification of licit livelihoods and other counter-narcotics measures as part of the Government's overall goal of a decrease in the absolute and relative size of the drug economy, in line with the Government' MDG target"; and 2) "By the end of 1389 (20 March 2011), the Government of Afghanistan will implement programs to reduce the demand for drugs and provide improved treatment for drug users".

CNTF, contributing to one of the six cross cutting issues of ANDS, has contributed to drug reduction through its licit livelihoods projects. CNTF outputs were pursued in line with the Government of Afghanistan's CN policy, which is to combine eradication with alternative livelihoods so that farmers have the practical means to make a lasting move into the legal economy. All projects and promotion of licit economic activities have been at the core of the CNTF as illustrated by the fact that over 70% of the CNTF funded projects are livelihoods related.

CNTF effectively contributed to the two benchmarks of ANDS through diverse activities designed in accordance with the NDCS. In 2008, while poppy cultivation increased in the south, particularly in Helmand province, the trend in the north, east and central regions were in the opposite direction. The number of poppy-free provinces has increased from 13 in 2007 to 18 in 2008 and a 19% reduction in the overall cultivation of opium poppies was reported by United Nations Office on Drug and Crime (UNODC) in August 2008.

CNTF also contributed to the United Nations Development Assistance Framework (UNDAF) outcome number 2: "By 2008, opportunities, skills and infrastructure that allow for active participation and strengthened formal economy and private sector are improved, particularly for poor and vulnerable groups." Two-thirds of the 67 approved and ongoing CNTF & GPI projects are intended to enhance the access of Afghans to assets and licit income for livelihood in the rural areas.

CNTF funded projects are intended to enhance food production through rehabilitation of arable land and the irrigation networks, improve access to markets, provide electricity and education vocational services, and other means to ensure that Afghan individuals are supported in establishing licit livelihoods. The Fund is also making a targeted effort to ensure that approved projects benefit women (i.e. Carpet Weaving Project in Ghor) as well as marginalized and vulnerable groups such as drug addicts (i.e. MoPH Projects).

The Trust Fund also contributes to Country Program Action Plan (CPAP) outcome 7 - Output 7: "Access to social and economic opportunities (local poverty initiatives, private sector development, alternative livelihoods improved for the poor and vulnerable groups". There has been steady progress on the achievement of output as most of the projects fall under Alternative Livelihoods (AL) pillar of CNTF. In addition, a number of income generation activities and vocational training activities were also conducted under the project.

The procurement process remained one of the significant challenges in front of smooth implementation of the project activities. The long process delayed the progress of the project activities and as such affected the overall delivery of the project results. Furthermore, the payment process to the sub-contractors both through MCN (for GPI) and MoF delayed the payments to the contractors affecting the overall progress on the projects.

The project is focused on supporting the MCN to implement the NDCS and as such meet the overall objective of reducing and eliminating the poppy cultivation. Hence, the MCN was the direct implementing partner of the project in addition to the MoF, responsible for the disbursement of funds. Besides, Ministry of Agriculture, Irrigation & Livestock (MAIL) Ministry of Education (MoE), Ministry of Energy & Water (MoEW), Ministry of Hajj & Pilgrimage (MoH) Ministry of Labor, Social Affairs, Martyrs and Disabled (MoLSAMD), Ministry of Public Health (MoPH) Ministry of Public Works (MoPW) Ministry of Women's Affairs (MoWA), and Ministry of Rural Rehabilitation & Development (MRRD) were the LMs responsible for the implementation of the projects.

## **II. Performance Review**

### **Progress review**

In 2008, the CNTF resources continued to be allocated to support the GoA to achieve the objectives of its NDCS. Similarly, funding under the Good Performance Initiatives<sup>1</sup> (GPI) Window of CNTF continued to reward provinces with funding for their priority development projects.

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<sup>1</sup> In the spring 2007, a new initiative to reward poppy free and good performing provinces (Good Performance Initiative (GPI) was launched. Detailed description of the initiative is provided below under the Good Performance Initiative.

The achievements of CNTF include allocation of the received funds to 67 projects, which are at different implementation or completion stages, increase in disbursement from USD 7.8 million in 2007 to USD 14.2 million by the end of 2008.

## **1. Overall progress towards the CPAP Outcome and outputs**

CNTF has made steady progress towards the CPAP outcome 7 - output 7: "Access to social and economic opportunities (local poverty initiatives, private sector development, alternative livelihoods improved for the poor and vulnerable groups". The largest share of CNTF projects under implementation falls under the NDCS AL pillar, which directly works towards offering alternative livelihoods to farmers. In addition, a number of projects provide vocational training opportunities to the beneficiaries in order to provide them with skills that they can utilize for earning their livelihoods.

CNTF is also making a targeted effort to ensure that approved projects benefit women as well as marginalized and vulnerable groups in particular through its public awareness, health related and vocational training projects have particularly target the vulnerable groups

## **2. Capacity development**

The CNTF is one of the first and certainly the most far-reaching and complex nationally implemented projects in Afghanistan as the project is designed to be implemented by MCN through the LMs. Currently, 10 LMs are involved in the implementation of projects funded by the project. Afghan contractors, NGO's and civil society organizations also are involved in the implementation of projects funded through the GPI Window.

The capacity of the national institutions in the context of complex CN work is weak. Moreover, new laws, policies, and regulations within the GoA add to the complexity of the nationally implemented projects that are financed by CNTF. This posed serious challenges and avoidable delays in procurement of goods and services and implementation of CNTF funded projects. Thus, building the capacity of the implementing ministries at the national and sub-national levels has been a crucial determinant of the success of the project. Since its establishment in 2005, CNTF has adopted an increasingly proactive approach to addressing capacity development concerns. Capacity is being developed into each project approved for the LMs, through the course of implementation and coaching by CNTF (MCN/UNDP), as follows:

- A reference Project Financial Management Guideline was developed by the Monitoring Agent (MA) and was submitted to the CNTF. This document included project management related financial management procedures based on applicable laws of Afghanistan and circulars issued by the MoF.
- The Local Audit Expert has been provided on the job training by the International Team Leader and the Senior Audit Expert of MA team on practical audit approach and its theoretical aspects. Admin and finance personnel at the LMs were coached and guided on various financial management procedures on the job. Access to the MA Team regarding guidance and support on disbursements, procurements as and when required by these personnel was also maintained.
- Training was held for the Treasury Controllers of MoF focusing on modules such as audit planning, budget analysis, cash and asset verification, correct charging of expenditures, audit testing techniques, evaluation of audit findings and audit reporting and follow up actions on audit.

- For the Admin and Finance Personnel of LMs, training materials have been developed and is readily usable for training on financial management, procurement and internal controls. LM personnel from Kabul and the provincial departments will be invited for a workshop, to be held in Kabul during the first quarter of 2009.
- Capacity has also been built within the CNTF directorate itself in areas such as Project Management, Finance and Budgeting, Asset Management, Reporting and Evaluation.
- The GPI projects have provided an excellent opportunity for the nascent private sector industry in the area of procurement, financial management and reporting as well as physical implementation of infrastructure projects.

### **3. Impact on direct and indirect beneficiaries**

CNTF have played significant role in reducing the poppy cultivation across the country. There was significant decrease in the overall cultivation was observed. Besides reducing the poppy cultivation, the projects implemented under the CNTF resulted in provision of job opportunities to the target areas that had visible impact on economical status of the communities.

The CNTF activities also helped the target beneficiaries access health facilities in order to cope with narcotics related health problems. The health centres operationalized through CNTF provided a good source for the treatment of drugs affected people as more than 2,800 people were treated by the two drug treatment centres.

Furthermore, a number of livelihoods projects resulted in provision of sustainable livelihood structures. A number of irrigation, road and water supply projects were implemented in the neediest communities that affected the most vulnerable beneficiaries positively.

The CNTF targeted the provinces prone to poppy cultivation. The efforts of the project resulted in visible decrease in poppy cultivation across the country. In addition, while stopping the farmers from poppy cultivation, they were provided access to the job opportunities, vocational trainings as well as they were provided much needed infrastructure.

## **Implementation strategy review**

### **1. Participatory/Consultative Processes / Quality of Partnership**

The CNTF has since its establishment been a participatory and consultative project. The project document and its current implementation strategy is the result of close collaboration between the GoA (MoF and MCN), the LMs and the MB which includes Donors, International organizations, the Government of UK as a leading nation in Counter-Narcotics and the UN (UNAMA, UNDP and UNODC).

The participatory and consultative mechanism of the CNTF is the Steering Committee (SC) which is attended by all donors' representatives plus the MB Members, UNODC and the World Bank (as observers). LMs and technical departments at the national level have carried out needs assessments and designed projects in close consultation with the provincial authorities and local communities.

Funds have also been allocated to projects after a comprehensive screening process by a Technical Review Panel and the Review Committee. Representatives of all stakeholders have been included as part of the review mechanisms to ensure transparency and accountability in the selection process. All proposed projects have been reviewed and endorsed by the MB. CNTF has been coordinating with other partners such as British Embassy Drugs Team (BEDT), USAID and UNODC in developing the capacity of the government counterparts.

The CNTF, MCN and MoF have developed a strong partnership in which the full range of difficult and complex issues have been jointly discussed and resolved. The MCN has been building partnerships with LMs in order to more effectively implement projects.

## **2. National Ownership and Sustainability**

As the CNTF is a nationally owned and implemented project. As such, the GoA remained in lead role in setting up priorities, resource allocation, project implementation, monitoring and supervision. The fund is administered by UNDP while financial resources are channeled through Da Afghanistan Bank to MoF, enabling the GoA to continually strengthen its ability to manage and oversee the expenditures made under the project.

In spite of the fact that the CNTF is a nationally owned and implemented project, it is important to highlight that the provincial authorities have not been regularly involved as one of the key CN partners. To overcome this limitation, the GoA Proposal on Reform and Restructuring highlighted the need to move towards a comprehensive provincial approach, and bring the governors and other provincial authorities to the center of the decision making process.

The move towards a more holistic and programmatic provincial approach combined with the development of the MCN capacity and stronger leadership by the GoA is aimed at maximizing the sustainability of the CNTF funded projects and of the Fund in general.

## **Management effectiveness review**

### **1. Quality of monitoring**

#### **Monitoring of Projects**

The monitoring of the projects is the primary responsibility of the LMs. Besides, CNTF also conducts field monitoring of the project in order to ensure that the projects are on track as well as are being implemented as per actual terms and specifications. A total of 83 field monitoring missions to 15 different provinces were undertaken by the CNTF staff during the reporting year. During the field monitoring missions, a number of technical flaws and deviations from actual specifications were identified. The responsible contractors were provided with real time feedback and as such corrective measures were undertaken.

#### **Monitoring of financial transactions**

The Monitoring Agent team has been providing audit check & control; support and report on the accuracy, as well as efficient and effective implementation, of the financial controls of approved CNTF funded projects since its appointment in mid 2007. Specific activities undertaken by the team during the review period include:

- Review and audit project budget and commitments and facilitate transaction for timely disbursement of funds from the special account to Line Ministries.
- Ensure the proper disbursement of the funds and audit if the transactions and procurement are in line with the GoA/UNDP rules and procedures

- Provide institutional capacity building support to improve financial management application by the Ministry of Finance and the Line Ministries

The MA team has established good relations and contact with the concerned personnel at the UNDP, CNTF, MoF, MCN and the LMs. CNTF related documentations such as laws, guidelines, procedures, manuals and relevant reports have been reviewed.

The Annual Financial Report, covering the period July 2007-June 2008 was prepared focusing on the overall financial management of the projects funded by CNTF with chapters on Project Financial Report, Audit Issues and Institutional Capacity Building plans. As part of the MA Team deliverables, an Operation Manual on the Rules of Eligibility was also developed and submitted for consideration of the CNTF Directorate.

The MA Team conducted audits on a project wise basis at the LMs and assessed the financial management capacity and existing internal controls during the course of 2008. A knowledge transfer plan was also drawn up and implemented this year. The monthly Financial Reports for August, September, October, November 2008 highlighted more specific financial, compliance and controls issues from a project financial management context.

The MA provided reports on a monthly and quarterly basis, including one Annual Report for the period from June 2007 to July 2008. These reports provide insight into the utilization of funds and findings upon examination of expenditure documents of the CNTF projects. A summary of the report findings were shared with the CNTF Director who in close consultation with the MoF and the MCN took actions to resolve the findings.

A joint meeting of the UNDP, CNTF and the LMs was held to follow up on the findings and recommendations of the MA. Letters were issued by the CNTF Directorate to concerned LMs. Ministries are requesting clarification in order to resolve the outstanding issues. Actions from LMs are still under process and will be finally collated by the CNTF and forwarded to the MA.

The MA presented its overall findings to the MB at the 20th MB Meeting held on August 6, 2008. The monitoring results in financial terms, monitoring issues, capacity building actions and future recommendations were highlighted.

The MA has reviewed disbursements related to 25 CNTF and 6 GPI projects by LMs. During the reporting period, the MA reviewed the disbursements made for projects implemented by MoPH, Ministry of Labor, Social Affairs, Martyrs and Disabled (MoLSAMD) and Ministry of Education (MoE).

## **2. Timely delivery of outputs**

As mentioned in previous sections of this report, CNTF activities (including some of the GPI-funded projects) faced significant delays during the reporting period, especially in the areas of project design/development and implementation. These served to undermine timely achievement of some of the delivery targets for 2008. This was the result of a combination of low capacity in LMs, limited understanding of new GoA procurement laws, rules, and policies, and a lack of motivation and commitment on the part of the LMs. Some of the LMs remained passive in ensuring the timely completion of the projects that delayed completion of the projects and as such achievement of some of the outputs. .

## **3. Resource allocation**

A total expenditure of USD 14.2 million took place during the reporting year. The operating costs of the Fund were supported by the CNTF as of 1 January 2008. In addition,

a small component of capacity development support has been built into the project budget for the LMs. The ratio between project management costs and funds allocated to development projects was comparatively low and represented less than 10 percent of the overall cost of the projects.

#### **4. Cost Effective Use of Inputs**

The available inputs – staff, transport, equipment, etc- were used in a highly efficient manner, as shown in the constant rate of expenditure. It is important to note that as of June 2008, the CNTF unit at MCN had no international staff and that all operations and management activities were carried out by the national staff signifying the increased capacity of the national CNTF team.

### **III. Project Results Summary**

#### **CNTF Projects**

CN is recognized as a cross-cutting issue both in the ANDS and the Afghanistan Compact, the identification, design, selection, approval and implementation of the CNTF funded projects is the responsibility of the GoA as a whole and particularly of the MCN and relevant LMs. Over the last three years, CNTF has allocated funds to and supported the implementation of 30 projects related to 4 pillars of the NDCS: AL, institutional capacity building and drug demand reduction, treatment of addicts and public CN campaigning. During 2008, CNTF/UNDP continued to channel funds to the Government of Afghanistan to fund projects which fostered its capacity to successfully implement its NDCS.

The major activities undertaken during the reporting period include, but were not limited to: approval of two new projects (USD 2.3 million for Construction of Chamtal-Balkh Road and USD 19.0 million for the Labor-Based Rural Development Project) implemented by MRRD, a delivery of USD 9.8 .million by the 31<sup>st</sup> December 2008, the completion of 12 out of 30 ongoing projects; the development of the GoA's Proposal on Reform and Restructuring, the development of the CNTF Comprehensive Management Plan, and significant new funding, under the GPI Window, to 19 provinces that have achieved significant reduction in poppy cultivation or have reduced the cultivation to zero.

A number of Projects were also completed during the year that are enlisted below:

- 1) Mushroom Production (Pilot Project-MAIL) implemented in Nangarhar, Badakhshan, Baghlan, Balkh, Herat, Takhar, Kunduz, Bamyán, Ghazni and Kabul provinces;
- 2) Rehabilitation of Silk Worm Industry (MAIL) implemented in Herat, Jawzjan, Saripul, Balkh, Samangan, Baghlan and Kunduz provinces;
- 3) Honeybees Project (MAIL) implemented in Kunar, Kandahar, Nooristan, Nangarhar and Paktia Provinces;
- 4) Flood Protection Project (MRRD) implemented in Nangarhar province;
- 5) Vocational Training Project (MoLSAMD) in implemented in Nangarhar, Kunar, Nooristan, Paktia and Logar provinces;
- 6) Drug Demand Reduction Treatment Centers (Two Community Treatment Centers), implemented by MoPH. The first year was successfully completed and therefore extended for a second year;
- 7) Provincial Community Outreach (Drug Treatment) Project (MoPH), the first year was successfully completed and therefore extended for one more year;
- 8) Drug Awareness Campaign (MOWA) implemented in Logar, Samangan, Baghlan, Wardak and Laghman provinces;
- 9) Protection Wall (Drought-MRRD), the project was implemented in Ghor province;
- 10) Protection Walls (Drought-MRRD), the project was successfully implemented in Badghis province;

- 11) Construction of Protection Wall (Drought-MRRD), the project was implemented in Nangarhar province; and
- 12) CNTF Rural Project Needs Initiative Project (Pilot Phase-MCN) successfully implemented in Farah province.

A number of projects required extensions. Hence, CNTF MB approved, at the Meeting of May 30, 2008, the MoPH and MRRD's requests for extension of the following projects for one more year,

- 1) Drug Awareness and Treatment Centers –MoPH;
- 2) Community Drug Treatment Outreach-MoPH;
- 3) Reconstruction of 40 KM DBST road, Bridge-MRRD;
- 4) Protection wall-MRRD;
- 5) Irrigation Project-MRRD;
- 6) Protection wall-MRRD;
- 7) Water Irrigation System-MRRD;
- 8) Protection wall-MRRD
- 9) Boring of Deep Wells-MRRD;
- 10) Protection wall-MRRD;
- 11) Retaining Wall-MRRD;
- 12) Qalaigaz Irrigation Canal-MRRD; and
- 13) Darqat Suspension Bridge-MRRD.

Furthermore, two New Projects were approved during the year that are enlisted below:

- 1) Labor Based Development Programme in 14 provinces of Afghanistan; and
- 2) Construction of rural roads in Chamtal District of Balkh province.
- 3) The MB also decided to close some of the approved but not contracted projects. The prematurely projects were as follows:
- 4) Greenhouse Project-MAIL;
- 5) Mosque Based Drug Abuse Project –MoH;
- 6) Badghis DBST Road Construction Project-MRRD; and
- 7) Archi DBST Road Construction-MoPW.

**Output 1: Increased access to sustainable licit livelihoods opportunities for all citizens in every province of Afghanistan**

**Micro Hydroelectric Power in Badakhshan :** Three micro hydro electric power projects were planned to be constructed in three different districts (Chatta, Sangab and Jum) of Badakhshan province. The Sangab section of the project was completed in October 2007. However, the construction work on the remaining two sites continued during the year.

The construction work on the project site in Chatta District was almost completed (99%) where the station was fully operational and electricity was being delivered to the residents. Some minor improvements were still needed. Currently, GTZ and the Renewable Energy Department of MoEW are in the process of introduction of billing and maintenance services. The first business training has taken place. By the end of the year, the project was ready for temporary handover to the provincial authorities.

There was significant progress on the Jurm site as well as the plant went through a test run for 20 days and power was distributed to the nearby homes. Currently, transmission and distribution lines to additional households in Jurm are being distributed so that the project is completed. The impact of the micro-hydro power project during its first year will be monitored through the impact monitoring system for which a baseline study has been

conducted by a consulting company (Altai) in the target districts. Business training will also start shortly after the household's accessibility to the electricity has been ensured.

**Suspension Bridge in Darqad District:** The suspension bridge in Takhar province is intended to provide a permanent commuting link for the inhabitants of Darqad District of Takhar province to the rest of the mainland (province and country). The aim of the project was to enhance socio-economic opportunities for the isolated communities of Darqad through increased access to the adjacent districts of Takhar and the rest of the country. 80% work on the project has now been completed.

**Bangi Bridge:** The bridge project was completed during the year. This resulted in increased access of the people to near by areas as well as has reduced the travel time required for traveling out of the district.

**Road Construction in Badghis:** The contract for the road construction and asphaltting of the Rabat-Yakhak Band to the border of the Obay district has been signed. The value of the contract for this project totals \$1,107,872. The technical survey, the design and the re-estimation were completed in June 2008. However, as the project required technical adjustments, the project is under the technical review of MRRD.

**Baghlan:** The project has not made any progress since June 2008 mainly due to the low financial capacity of the contractor. The issue is regularly followed up with the contractor who has promised to commence the construction work of the project soon.

**Balkhab District (Saripul Province) Road Rehabilitation Project:** The initial objective of the project was to rehabilitate a 22-km road, but due to low technical capacity of MoPW and the inadequacy of the road profile design, the project had to be revised. Presently, the project is only addressing the road structures and as such the road construction is now postponed for the following phases of the project. The overall progress made on the project was 70% by the end of the year.

**Nangarhar Orchards Project:** The perennial horticulture project was implemented by MAIL with following objectives: To establish 2,200 orchards (each 1-Jerib), construct of 1001 check dams for control of water flow in eleven districts, and to build 44,000 meter long terracing (4000m long x 1.5 wide x 1 deep/district) with reforestation. A total of 275 female home-based nurseries are planned to be established and it is anticipated that 134,896 labor days will be created for the local communities.

Terracing work has now been completed in the districts of Shirzad, Pachiragam, Spinghar, Achin and Dara-i-Noor. The work at Khuhgyani, Haskamina, Ghanikhail and Dour Baba districts was nearing completion by the reporting time. Almost 100,000 saplings of ornamental plants have been collected and purchased from home-based nurseries. These saplings will be transplanted on the newly terraced sites in above mentioned districts.

The transplanting of the saplings from the home-based nurseries to terraces is already in progress in districts of Dur Baba (a total of 1200 meters of terracing), Ghanikhail (1350 m), Hisarak (1800 m) and Haskamina (1300 m).

Drought experienced in Ghanikhail, Nazian, Achin, Spinghar, Dara-i-Noor and Shirzad districts of Nangarhar proved to be the significant constraint and have had adverse effect on successful establishment of the saplings. Similarly, the spread out of pests and diseases was also taking its toll because the farmers did not have access to pesticides. Animal grazing was also a threat to the survival of the saplings.

**Carpet Weaving Project in Ghor Province:** The goal of the project is to deliver viable economical opportunities for vulnerable families in Ghor. A total of 1450 trainees in thread spinning and 973 persons in carpet weaving trade have been selected and 944 units of carpet weaving frames & 1394 units of thread spinning have been distributed in 5 districts of Ghor Province. By the end of September 2008, 112000 kilo gram cotton & dyed threads had been purchased for the five Vocational Training Centers in Ghor Province, out of which 18297 kg has been distributed to the trainees. Future procurement plan includes purchase of 500 units of thread spinning wheel, 450 units of carpet weaving frames as well as 32,000 kg of cotton and dyed thread.

The fragile security in some districts of Ghor was the main obstacle for smooth implementation of the project, particularly in Tewara district. In Sharak district, the community is resisting participation of women in the carpet weaving trade.

**Construction of Intake and Gabion Walls in Helmand:** The objective of the project was to respond to the needs of the population (660 families) by restoring irrigation facilities through the construction of intakes and three Gabion walls in the Qalaigaz canal area in Nahr-e-Saraj district of Helmand Province. The project aimed to enable the farmers to have double cropping on 6,500 jeribs of arable land.

Due to consistent security constraints, several procurement efforts failed and finally after fourth attempt, the project was contracted to a local construction company. The preparatory activities started in November 2007 but no progress has been reported since then. Since no serious effort has been made on the part of MRRD to start implementation, MCN has decided to close this project, subject to approval by the MB.

**Construction of Protection Walls in 2 districts of Farah:** The work in Anardara district was 100% completed, whereas due to the existing security constraints, the work in Bala Bolook district has been suspended. It has been noticed that the contractor had made some changes in the scope in Anardara district without seeking prior approval of MRRD. A mission was planned to travel to Anardara and investigate things but due to security concerns, this mission could not be undertaken.

Since there has been no consistent effort on the part of the MRRD to start implementation of the Bala Bolook component, MCN decided to cancel this component subject to approval by the MB.

**Labor Based Rural Development Programme:** Labor-based approaches ensure high quality, high productivity and cost-effectiveness. Appropriate application of labor-based methods produces quality outputs that are as good as outputs from equipment-based methods and are more cost-effective than equipment-based approaches in countries with an abundant labor supply, low wages and high equipment costs. Infrastructure development through labor-based methods effectively supports local economies by providing employment and stimulating the local economy through improvements in access to infrastructure.

The goal of this USD 19 million project, implemented by MRRD, is to create about 500,000 short-term employment opportunities in 60 target districts in Badakhshan, Badghis, Baghlan, Balkh, Farah, Herat, Jauzjan, Kunar, Nimroz, Samangan, Sar-e-pol, Takhar, Uruzgan and Faryab provinces in two years time. As per MRRD, efforts are underway to plan and develop the projects with full consultation of the local authorities and the communities in each one of the target provinces in order to design truly "need based" projects.

Three national priority programmes are involved in the implementation: National Rural Access Programme (NRAP), National Area Based Development Programme (NABDP) and Water Supply and Irrigation Programme (WATSIP). The Provincial Development Plans will

be amended with the CN priorities and will determine the interventions required by each national programme. MRRD has started its project implementation in 14 provinces.

**Construction of 18.7 km Chamtal and Balkh districts:** MRRD project is implementing the project under the NRAP. The contract was awarded in October 2007. MRRD has reported that the construction companies and contractor have made 40 % progress toward the completion of project. As such the project has been behind schedule.

**MRRD Drought Mitigation Projects:** The CNTF Management Board had approved funding to the amount of \$1,500,000 for emergency drought projects in different districts of several Provinces. The projects that fall under the Drought Initiative are as follows:

**Boring of Deep Wells in Balkh:** The project is being implemented by MRRD in various districts of Balkh province. Around 3,458 households will benefit from the wells.

Implementation of the project was started in March 2008 and digging of 53 deep wells is currently in progress. As per the recent information, the project is moving smoothly towards achieving its objectives. As of end of September 2008, the project was reported 95% completed.

**Canal Cleaning, bridge construction and diversion dam in Faryab:** Cleaning of 30 km of canals located in Deh Miran and Takhara villages of Faryab province which was contracted in March 2007. This component of the Faryab project was successfully completed and handed over to the provincial department of MRRD. However, the second component of the project involves construction of a small bridge. The contractor had asked for additional time due to delay in project implementation which was approved by MRRD and the work was resumed as of late June 2008. As per the CNTF cell at MRRD, the project needed some revision; the case is therefore referred to the Conflict Resolution Commission which is designed to resolve the problem. The third component of the project involved construction of diversion dam which was successfully completed in June 2008.

**Reservoir Construction in Balkh:** Due to inadequate design, the project was re-surveyed and redesigned in June 2007. The revised documents were approved by MRRD with some incremental increase in budget. Project activities were commenced on 21st September 2007 and as of end of September 2008, 50 % progress was reported. As such the project completion has been delayed.

**Protection Wall in Samangan:** As of March 2008, 95% of the work had been completed (1,362 meters out of the target 1400 m had been built), but then socio-political problems delayed the completion of the project, therefore a mission was launched in order to investigate the issue. The report of the mission has been submitted to the Conflict Resolution Commission, through the procurement department of MRRD, for further necessary action. However, it is mentionable that the issue resulted in delays in the implementation of the project.

**Output 2: Strong, well resourced, staffed and coordinated Afghan Government counter narcotics institutions in Kabul and at provincial level leading an international effort to eliminate poppy cultivation in Afghanistan**

The CNTF directorate continued to receive support during the year. The capacity building efforts undertaken during previous years resulted in sustainable capacity in the directorate. Consequently, the directorate was able to carrying the activities independently with limited technical and operation support from external sources. However, besides support to the CNTF directorate, there were no other major activities undertaken during the reporting period.

**Output 3: Comprehensive and credible Ministry of Counter Narcotics led information campaign that discourages involvement in the drug industry and effectively supports all pillars of the Islamic Republic of Afghanistan's National Drug Control Strategy**

**Drug-free and Healthy Educational Environment Project:** The project was designed that within the two years project timeframe, 143,000 teachers and 6 million students of more than 8,400 schools across the country will be exposed to drug use prevention education. The students will in turn disseminate the messages to their families and wider community. The achievements to date are as follows:

- More than 14,000,000 text books containing CN messages have been printed and distributed among the students in the most of the schools
- 70 Master trainers have been selected by Teacher Education Directorate who are working on training manuals for the trainees. The training sessions are going to be commenced soon.
- Master trainers are being trained on CN and CN messages plus texts are prepared to be inserted into the teachers' teaching curriculum.
- In addition to the first two video clips, five more video clips are to be produced and shared with the MCN. The airing process is under way with several commercial TV channels
- The CN messages developed will be broadcasted on national TV channel regularly.

**National HIV/AIDS Control Program:** The procurement of 41,000 harm reduction kits have been distributed in both Balkh and Herat provinces. A total of 330 outreach visits were performed in the two provinces. The printing and distribution of around 30,000 of awareness raising material have been completed in the targeted provinces.

**Output 5: Drug-lords find it difficult to operate due to the government's ability and commitment to enforce domestic counter narcotics legislation and fulfillment of commitments to international anti-drugs charters**

**Design and Survey of Pul-e-Charki Drug Prison:** The design and survey of Pol-e-Charkhi prison for 6th wing was proposed by the Ministry of Justice (MoJ) with support of the BEDT. The Wing 6 of the prison, which is a large and durable structure with solid foundations will be fully renovated, refurbished and extended in order to bring the facility up to required international standards. The wing will be designed to accommodate 402 medium security prisoners convicted of drug related crimes and include facilities for drug awareness training and drug treatment number of prisoners and the staff. The design of the Wing-6 and the other two components (renovation of the Main Gate and Staff Barracks) has also been completed.

**Output 7: The Afghan population aware and educated of the risks and dangers of drug abuse and a comprehensive and coordinated drug treatment, rehabilitation, aftercare and social reintegration program established in key provincial centers, including residential treatment centers and community-based services**

**Drug Treatment Projects:** The Provincial Community Outreach (Drug Treatment) project aims to provide community-based drug treatment, prevention and harm reduction services in eight provinces of Afghanistan. The first phase of the Drug Demand Reduction Treatment Centers and the Provincial Community Outreach (Drug treatment) project was completed successfully. The extension of the projects for the second year with a revised budget was approved by the MB in May 2008. Project is progressing smoothly.

### **Good Performance Initiative (GPI) Window**

The GPI which was endorsed by the CNTF MB in February 2007 and entered into operation with the signature of the Grant Agreement between USAID and UNDP on 31 May 2007 had a second successful year. The key objective of the GPI is to support and reward provinces that achieve sustained progress towards poppy elimination or remain poppy free by providing them financial resources to fund their priority development projects. The GPI status is granted on the basis of the UNODC yearly Afghan Opium Survey.

The GPI which is a GoA initiative is funded by USAID and UK. Operationally, GPI aims at delivering projects in a timely, cost effective and transparent manner to help ensure communities are motivated to stay away from poppy cultivation. To this end, GPI operates as a separate window within the CNTF and its funds are managed, approved and contracted directly by the MCN, thus providing a challenging opportunity for capacity building for the GoA.

In many cases, the GPI projects will directly align with Government CN priorities as identified in NDCS. Other development projects that do not necessarily meet the CN objectives (e.g. clinics, health centers, schools) may be considered for funding as long as they help meet the immediate needs and aspirations of the target provinces and their communities.

The implementation of GPI is different from the CNTF. The MCN receives, approves and out sources implementation of approved projects to private contractors or NGOs, acting on behalf of provincial administrations and in coordination with the MoF. The projects funded under the GPI will reinforce the success of the government in the implementation of the NDCS.

Projects and activities funded through the GPI are agreed upon by the Provincial Governor and the Provincial Development Council (PDC), in accordance with their Provincial Development Plan (PDP), and formally approved by the GPI Technical Review Committee.

Eighteen provinces were announced as poppy-free in August 2008 and a total of 17 provinces that reduced poppy cultivation (in 2006, 2007 and 2008) were rewarded with a total budget of USD 38,770,000. Out of the total GPI 2008 budget, the INL contributed USD20,155,200 covering 14 provinces so far. There is a balance of \$ 18.6m to be contributed by the GPI donors.

As of December 2008, the GPI Review Committee has approved 37 projects for funding through GPI. Of these, three have been completed, 15 have completed the procurement process and are now at different implementation stages, 17 are under different procurement process stages and 2 projects were canceled. Projects funded through GPI window are enlisted below:

- 1) Irrigation (Gabion wall) - Flood Protection Project for 3 Districts – Parwan
- 2) Irrigation (intakes) - Establishing orchards, rehabilitation of irrigation system and distribution of honeybees families –Panjshir
- 3) Paktia University Teaching building - Paktia
- 4) Greenhouse project-- 108 Greenhouse, Protected Agricultural Training and greenhouse owners associations - Maidan Wardak
- 5) Road Construction Machinery – Bamyan
- 6) Construction of Vocational Training – Ghazni
- 7) Irrigation (Protection wall) – Kabul
- 8) Establishing of Orchards – Panjshir
- 9) Construction of 2 secondary girls schools of 10 classrooms – Laghman
- 10) Construction of Conference hall – Kundoz
- 11) Balkh Agro Machinery – Balkh

- 12) Panjshir Agro Machinery – Panjshir
- 13) Kabul Construction of Irrigation System – Kabul
- 14) Logar Agriculture Stocks – Logar
- 15) Consultancy for Cooperative Establishment – Logar
- 16) Consultancy for Cooperative Establishment – Panjshir
- 17) Road Repairing Machinery – Ghazni
- 18) Construction of DSBT Road / Survey and Design of Shakardara Road – Kabul
- 19) Construction of School - Khost
- 20) Drug Demand Reduction Project
- 21) Construction of Irrigation System and Protection Wall – Parwan
- 22) Construction of University Building – Samangan

## IV. Implementation Challenges

Project procurement and implementation by the LMs continues to be a major challenge faced by the project. Lack of capacity and resources, bureaucratic procedures, little or limited practical knowledge of the new procurement rules and regulations, and lack of motivation and project management skills caused serious delays. MRRD lagged behind all other LMs in project implementation and proper monitoring. Since more than half of CNTF funding has gone to MRRD (USD 27 out of USD 46 million), the slow implementation rate has affected the overall delivery of the CNTF projects.

Furthermore, unlike other projects that are funded through the government national budget process, the MB of the CNTF has the final authority for approval of funding to projects generated by the LMs. Though, sufficient flexibility has been exercised by the MoF, the procurement and approval of payment process proved to be difficult and extremely lengthy, causing further delay in the execution of the CNTF budget by the LMs.

Last but not the least, an even more complicated and lengthy process applies to payment approval (both through the MoF and MCN-GPI). It has often been the case that between the payment request (from the LMs implementer) to the CNTF and MCN up to 20 signatures are required leading in numerous cases to severe delays.

In consideration of all of the above, the most important challenge that emerges for the future is the successful promotion of a coordinated approach to development in narcotics-affected areas.

### Response to the challenges

The above issues have been recognized and discussed at the various MB, SC, Technical Review Committee and at a multitude of informal meetings with the key stakeholders. A multi-pronged approach is now being undertaken to address short and long-term capacity constraints including:

- A fast track procurement process launched by the Government is currently under implementation and a number of training workshops have been conducted for LMs on the same.
- Moving from a project by project and LM driven approach to a more holistic provincial approach where provincial governors will take the lead on implementation.

### Project risks and actions

**Security in poppy production areas:** Lack of security is inextricably linked with the increase of opium poppy cultivation. Opium producing provinces account among the

most volatile ones in the country and thus for CNTF projects. Security was identified as a key barrier to the successful implementation of 20% of the projects under implementation (in particular in Farah, Helmand, Paktika and Badghis provinces). Given the overall level of insecurity in the country, CNTF had very limited margin of influence, however regular monitoring of the districts where CNTF was active was established.

All new projects submitted for approval by the MB in high risk areas were required to comprise a security risk impact assessment as well as contingency work plans that could be put into action in the event of increasing insecurity.

## Project issues and actions

**Project Extension:** It was decided that after the completion of the CNTF on 31 December 2008, the project will be handed over to complete the ongoing projects. However, the mechanism for the project handover could not be identified within the project duration. Hence, the project was extended for a period of six months (end of June) in order to have time for consultations that would result in development of project handover mechanism.

**The Steering Committee Meeting:** In August 2008, the CNTF Steering Committee meeting took place which concluded on a "successor programme" to CNTF, which should build on GoA's Reform and Restructuring Proposal and development of a comprehensive work plan by MCN and UNDP on the management and use of the remaining funds under CNTF to ensure successful completion of all projects funded by the Trust Fund.

**CNTF Unit Operational Costs:** The running cost of the CNTF support unit was covered from the UNDP core funds since the inception in October 2005 until December 2007 and this cost UNDP USD 1.36 million. UNDP in a letter dated 8 May 2008, addressed to MCN and MoF, highlighted the importance of sustainability of the cost of operations of the CNTF. As per UNDP cost recovery policy, these were implementation costs and are directly part of the project and hence had to be borne by the TF. It was approved by and as such is now being charged to the Fund.

## V. Lessons Learnt and Next Steps

### Lessons learnt and recommendations

One of the major lessons learnt during the year was that there was significant need for focus on capacity development of LMs. Due to the limited capacity of the LMs, the project development, implementation and monitoring faced significant delays directly impacting the project delivery. Therefore, significant amount of resources should be allocated to the capacity development.

The realization of moving towards a provincial approach has long been felt. Therefore, a number of efforts were made to move towards the provincial approach during the year. However, more efforts towards provincial approach will have significant positive effect in CN.

## VI. Financial Status and Utilization

### Financial status

Table 1: Contribution overview [October 2005 – 31 December]

Donor	Contributions		Contribution Balance
	Committed	Received	
Estonia	50,000	50,000	-
New Zealand	352,609	352,609	-
European Commission	17,647,059	16,481,385	1,165,674
Australia	1,526,718	1,526,718	-
Canada	1,052,632	1,052,632	-
Cyprus	10,000	10,000	-
Italy	1,317,523	1,317,523	-
Japan	5,000,000	5,000,000	-
Poland	100,000	100,000	-
UK	44,347,826	15,652,174	28,695,652
Greece	442,478	442,478	-
Korea	200,000	200,000	-
Spain	336,022	336,022	-
Sweden	2,000,000	2,000,000	-
Latvia	20,000	20,000	-
UNDP	1,462,721	1,462,721	-
Iceland	100,000	100,000	-
<b>CNTF Sub Total</b>	<b>75,965,588</b>	<b>46,104,262</b>	<b>29,861,326</b>
<b>Good Performance Initiatives (GPI) Funding Status</b>			
USAID	15,000,000	10,000,000	5,000,000
UK	8,722,671	8,722,671	-
<b>GPI Sub Total</b>	<b>23,722,671</b>	<b>18,722,671</b>	<b>5,000,000</b>
Interest Earned on CNTF Funds (As of December 2007-2008 Figures are yet to be finalized)	-	1,150,842	-
<b>Grand Total</b>	<b>99,688,259</b>	<b>65,977,775</b>	<b>34,861,326</b>

**Table 2: Annual Expenditure by Activity [1 January-31 December 2008]**

<b>Activity</b>	<b>Budget (2008)</b>	<b>Total Expenditure</b>	<b>Balance</b>	<b>Delivery Rate</b>
<b>ACTIVITY01: Building Institutions</b>	1,672,738	1,487,571	185,167	89%
<b>ACTIVITY02: Information Campaign</b>	8,852,723	2,880,275	5,972,448	33%
<b>ACTIVITY03: Alternative Livelihoods</b>	9,801,423	8,677,937	1,123,487	89%
<b>ACTIVITY04: Drug Law Enforcement</b>	-	21,954	(21,954)	0%
<b>ACTIVITY07: Drug Demand Reduction and Treatment of Drug Addicts</b>	756,414	755,942	472	100%
<b>UNDP General Management Services (GMS) 3%</b>	<b>652,061</b>	<b>427,536</b>	<b>224,524</b>	<b>66%</b>
<b>Grand Total</b>	<b>21,732,359</b>	<b>14,248,215</b>	<b>7,484,145</b>	<b>66%</b>

The expenditure column of **Activity 1 (Building Institutions) and 3 (Alternative Livelihoods)** includes of GPI and UNDP Core Fund expenditure