



ANNUAL PROJECT REPORT 2006

**United Nations Development Programme
Afghanistan
Support to the Counter Narcotics Trust Fund (CNTF)
01-01-2006 – 31-12-2007**



(Photo: Repair of Drug Rehabilitation Center in Jalalabad)

Project ID:	00045781
Duration:	June 2005 – December 2008
Component (MYFF):	Local Poverty Initiatives & Public Administration Reform
Total Budget:	USD 900,000,000
Unfunded:	USD 821,000,000
Implementing Partners:	Ministry of Counter Narcotics, Ministry of Finance and line ministries

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CNTF Donors



EUROPEAN COMMISSION



JAPAN



AUSTRALIA



CYPRUS



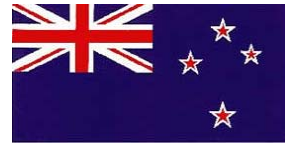
UNITED KINGDOM (FCO/ADIDU & DFID)



Agence canadienne de
développement international

Canadian International
Development Agency

CANADA/CIDA



NEW ZEALAND



ESTONIA



ITALY



SWEDEN/SIDA



POLAND



UNDP

Acronyms

ARTF	Afghanistan Reconstruction Trust Fund
ASI	Adam Smith International
BEDT	British Embassy Drugs Team
CD	Capacity Development
CN	Counter Narcotics
CNTF	Counter Narcotics Trust Fund
CPAP	Country Programme Action Plan
DFID	Department for International Development
EC	European Commission
GoA	Government of Afghanistan
IANDS	Interim Afghanistan National Development Strategy
M&E	Monitoring and Evaluation
MA	Monitoring Agent
MAI	Ministry of Agriculture and Irrigation
MCN	Ministry of Counter Narcotics
MIS	Management Information System
MoEW	Ministry of Energy and Water
MLSA	Ministry of Labour and Social Affairs
MoF	Ministry of Finance
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
NDCS	National Drug Control Strategy
NEX / NIM	National Execution / National Implementation
PMO	Programme Management Office
ToR	Terms of Reference
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
UK	United Kingdom

EXECUTIVE SUMMARY

Established officially on October 29, 2005 by the Government of Afghanistan (GoA) and the United Nations Development Programme (UNDP), the Counter Narcotics Trust Fund (CNTF) is a funding source in support of counter narcotics related projects and activities that contribute to fulfilling the objectives of the National Drug Control Strategy (NDCS). The CNTF also supports the Ministry of Counter Narcotics (MCN) to deliver on its responsibilities of developing and coordinating counter narcotics policy. The Trust Fund is designed in a way that GoA retains overall responsibility for the programme.

In 2006, the CNTF received 121 project proposals from 12 line ministries in 29 provinces. The CNTF Management Board approved 21 projects for eight line ministries with a total cost of US\$ 17.5 million. The projects were approved under three out of eight pillars of the NDCS: alternative livelihoods, institutional capacity building and drug demand reduction and treatment of addicts.

Out of the 21 approved projects, only five were able to start implementation and the total delivery amount reported by the Ministry of Finance was US\$ 799,440 in 2006. All of the on-going projects are at their early stage of implementation and although some have produced physical outputs, it is too early to measure any tangible impact on the counter narcotics objectives.

The CNTF is the first truly "National Implementation" programme and, under the present implementation modality, all projects are to be implemented by line ministries. The limited capacity of the line ministries to formulate eligible projects, the absence of robust and efficient procurement procedures and the lack of project management skills across government, made the implementation of the CNTF funded projects a major challenge. The capacity issues are further compounded by the financial and procurement procedures which are new and not clearly understood by the line ministries. This poses serious challenges and avoidable delay in the procurement of good and services. Although the Ministry of Finance has shown some degree of flexibility and attempted to train staff in line ministries, line ministries have also encountered difficulties to access funds for their approved projects.

Thus, building the capacity of the implementing ministries at the national and sub-national level is a crucial factor for the success of the programme and the CNTF has adopted a proactive approach in addressing the capacity development concerns. Special attention was given to build the capacity of the implementing institutions prior to the implementation of the projects in the field.

Under the current complex and cumbersome process of projects generation, formulation, review, approval and post approval process, it can take up to five months of gestation before actual implementation commences. In view of the slow building up of capacities of line ministries and the lessons learned from the first year of implementation, there is clear indication that a more comprehensive approach to the capacity development is lacking. New initiatives and approaches to implementation are also being assessed.

In line with its key principles, CNTF was able to mobilize additional resources and to make them easily accessible to the Afghan Government for the implementation of its NDCS. In 2006, new donors have committed US\$ 70,586,844 to the CNTF, out of which US\$ 38,361,779 have been received in 2006. Governments of UK, Australia, Canada, Cyprus, Estonia, Italy, Japan, New Zealand, Poland, the EC and the UNDP have contributed to the Trust Fund.

I. CONTEXT

Despite the efforts of the Government of Afghanistan (GoA) and the international community to curb drug problems in the country, poppy cultivation continued to increase in 2006. According to the 2006 United Nations Office on Drugs and Crime (UNODC) Afghan Opium Survey, the country's share of the total global opium production has further increased to 92 percent. Opium cultivation has spread to all but six provinces in Afghanistan and the value of opium exports was equivalent to around 42 percent of Afghanistan's 2006 GDP. The potential production is estimated at 6,100 metric tones, an increase of 2,000 metric tones over that of 2005. In 2006, 2.9 million households (about 12.6% of the entire population) were involved in opium cultivation. This presents another drastic increase compared with the 2005 situation where 2 million households (or 8.7% of the population) were involved in opium cultivation.

The Government of Afghanistan has recognized the danger that the narcotics industry poses to the future of the country. The illicit drug industry has an impact on the security of Afghanistan; it helps fund illegal militias and terrorists; undermines the stability of the government; and it is damaging the reputation of the country.

Among many other instruments, which support the implementation of the Afghanistan National Drug Control Strategy (NDCS), the Counter Narcotics Trust Fund (CNTF) continued to act as a funding vehicle in providing financial resources to the Government of Afghanistan. In line with its key principles, CNTF was able to mobilize additional resources and to make them easily accessible to the Afghan Government for the implementation of its NDCS. The CNTF is designed to provide greater ownership to the government and to enable it to develop the capacity of the line ministries and state institutions. The programme is implemented through the National Implementation modality. Therefore, the GoA retains the overall responsibility for the CNTF through its designated institutions – the Ministries of Finance (MoF) and Counter Narcotics (MCN). The line ministries serve as the implementing partners of the Trust Fund and work closely with the MCN to identify, develop and implement counter narcotics related activities and projects within their mandated area; while UNDP administers the financial management of the Trust Fund.

This report provides a brief overview about the activities undertaken by the CNTF during 2006.

II. PERFORMANCE REVIEW

2.1 PROGRESS REVIEW

In 2006, CNTF resources have been applied to support the Government of Afghanistan to achieve results in three out of eight pillars of its NDCS. These are alternative livelihoods, institutional capacity building and drug demand reduction and treatment of addicts.

The major activities undertaken during the reporting period include, but are not limited to: the establishment of governance set up for the Trust Fund (Steering Committee); projects review and endorsement mechanism (Review Committee and Management Board); resource mobilization; establishment of the Programme Management Office at MCN; recruitment of project specialists and support staff; sub-projects and activities identification, surveys, formulation, review approval and implementation; procurement of equipment for the CNTF and its projects by line ministries; capacity development in project management; identification of a Monitoring Agent for the CNTF and the projects; and lastly the conduct of training and workshops for projects' and line ministries staff. In addition, at the demand of the Management Board, a working group was set up to assist the Management Board in the analysis and review of difficult issues and selected projects.

In 2006, the CNTF received 121 project proposals from 12 line ministries in 29 provinces. These proposals were first desk reviewed and assessed against the criteria under the CNTF by the Programme Management Office staff at the MCN. Most proposals were either poorly formulated or did not meet the CNTF criteria. Thus only 21 projects with a total budget of USD 17,514,567 were approved at eight management boards meetings for the eight line ministries as illustrated in the table below:

Table 1: Number and nature of projects approved by the CNTF MB in 2006

No	Ministry	No of submitted projects	No of Approved projects	Total cost of Approved projects (US\$)	Pillar
1	Agriculture and Irrigations	47	5	3,938,385	Alternative livelihoods
2	Energy and Water	13	2	2,832,619	Alternative livelihoods
3	Rural Rehabilitation and Development	36	8	6,789,928	Alternative livelihoods
4	Public Health	4	2	1,294,209	Demand Reduction/ Treatment of addicts
5	Public Works	7	1	648,513	Alternative livelihoods
6	Women Affairs	3	1	40,368	Public Awareness
7	Labour and Social Affairs	6	1	1,577,100	Alternative livelihoods
8	Counter Narcotics	1	1	393,445	Institution building

9	Other (4)	4	0	0	Various
	Grand total	121	21	17,514,567	

Among the 21 approved projects, 17 of them, including 11 infrastructure projects, fall under the Alternative Livelihoods pillar. The infrastructure projects include eight irrigation and flood protection, two road, and one micro hydro electric plant projects.

Two projects fall under the demand reduction / treatment of drug addicts pillar, one under public awareness, and one under the institution building pillar.

Overall progress towards the ANDS benchmarks

The Afghanistan National Development Strategy (ANDS) considers the Counter Narcotics as a cross cutting issue. Specific benchmarks have been set up to monitor the progress. Benchmark 7.7 stipulates that "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". Supported by CNTF and other national counter narcotics programmes, the government of Afghanistan achieved the following result so far:

- Thirty Improved Drug Treatment Centres (IDTC) established in priority areas of Afghanistan. The number of ICTC is expected to reach to 37 by the end of 1385
- Three guidelines developed to reduce the drug demand and help organization to put their proposal in line (Drug Treatment Guideline, Harm Reduction Guideline and Drug Prevention Guideline)
- A total of 2,749 drug user treated in 2006
- A project with MoPH developed for HIV and Harm Reduction programme of the drug
- A total of 249,523 people received drug use prevention messages through different project activities
- Out of the targeted 36,138 trainees, 1,760 were trained during the year a number
- 330 doctors and health workers and 41,1138 teachers, imams and community elders participated in the drug demand reduction awareness training.
- School and life skill curriculum developed, training conducted in some provinces

Under the Governance, Rule of Law and Human Right sector, benchmark 2.9 indicates that "By end-2010: the Government will increase the number of arrests and prosecutions of traffickers and corrupt officials". Though CNTF had not played any significant role in helping the government to achieve this goal, the government reportedly made progress in achieving this benchmark by processing 772 cases which led to arrest about 500 individuals.

Overall progress towards the UNDAF outcome

The CNTF contributes to the United Nations Development Assistance Strategy (UNDAF), in particular to UNDAF outcome 2 which stipulates that "By 2008, an effective, more accountable and more representative public administration is established at the national and sub-national level, which improved delivery of services in an equitable, efficient and effective manner".

Being a national implemented programme, CNTF funded projects follow Afghan laws. The Fund contributes to strengthening the application of the laws especially in procurement as every item purchased for the projects should be according to the new procurement law.

The Fund also contributes to achieving the UNDAF outcome 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." Most of the approved and

ongoing 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 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 as well as marginalized and vulnerable groups such as drug addicts.

Overall progress towards the CPAP outputs

Targets and indicators are set under the UNDP Country Programme Action Plan (CPAP) 2006-2008 output 3: "*Law and order institutions at national and sub-national level strengthened and physical security of the population improved*" (Indicator 3.1. percentage of the GDP attributable to drug economy reduced), and output 7: '*Vulnerable groups empowered through improved access to social and economic opportunities*' (Indicator 7.6. Poppy farmers accessing alternative livelihood opportunities).

Although the CNTF is in its early phase of implementation, its progress towards achieving CPAP outputs is visible. In terms of output 3, the Fund has started to diversify its portfolio and is developing a prison's project that will help strengthening law and order institutions. Projects are being developed to equip and build technical capacity of the Counter Narcotics Police of Afghanistan (CNPA).

In relation to output 7, the largest share of CNTF projects approved so far, under the Alternative Livelihoods pillar, is directly working towards offering alternative livelihoods to farmers.

Capacity Development

The CNTF is one of the first and certainly the most far-reaching and complex national implementation programme in Afghanistan as the programme is designed to be delivered only through line ministries. Currently eight line ministries are involved in the implementation of projects funded by the Fund (see tab. I). The capacity of the recently and established national institutions in the context of complex counter narcotics is weak. Moreover, new laws, policies, and regulations within the GoA add to the complexity of the nationally implemented projects that are financed by the fund. Particularly the new Afghan law on procurement is not legislated and the regulations are not clear to the line ministries. This poses serious challenges and avoidable delay in procurement of good and services.

Thus, building the capacity of the implementing ministries at the national and sub-national level is a crucial factor for the success of the programme.

Since its establishment in 2005, CNTF adopted a proactive approach in addressing the capacity development concerns. Though the capacity development component is built-in with each project approved for the line ministries, special attention was made to build the capacity of the implementing institutions prior to the implementation of the projects in the field. The following activities in this regards have been undertaken to address the insufficient government capacity:

- Short hands-on workshops and coaching for the CNTF management team.
- Four UNDP financed project development specialists that support line ministries in the development of projects.
- A series of workshops and training for different groupings, including
- Project development workshops in four ministries: MoPH, MoPW, MoAI, MoEW facilitate by MCN.
- Post-approval workshop for project coordinators and finance / procurement officials, facilitated by MCN.

- Procurement workshop for procurement officials from line ministries, facilitated by MCN and UNDP.
- Workshop on financial procedures facilitated by MoF.
- Strategic placement of internationals (consultants and staff from BEDT, ASI, and UNDP within the National CNTF team) to support project development and implementation and the development of procedures.

The CNTF team at MCN was also equipped with necessary equipment, such as office set-up, computers, vehicles, and others. A Programme Management Office (PMO) has been formed and UNDP has actively contributed to the development of standardized processes, procedures, and templates. The PMO will further grow with the increasing project portfolio.

From the efforts made and the lessons learnt from the implementation of the CNTF programme in 2006, there is clear indication that a more comprehensive approach to the capacity development is lacking. Through a holistic approach to the capacity building, a specific project to address the capacity concern of the CNTF was formulated in December. The goal of this project is to develop the necessary capacity in the CNTF Programme Management Office (PMO), CNTF-related Directorates of the MCN and relevant line ministries, in order to successfully implement a CNTF programme and thus achieve CNTF objectives. The project is planned to be implemented in 2007.

Impact on direct and indirect beneficiaries

Due to the slow progress of project development and implementation, the impact of the CNTF funded projects so far have not achieved substantial impact on the direct and indirect beneficiaries. However, some impact on beneficiaries can be summarised as follows:

- The Comprehensive Drug Treatment, Rehabilitation, Harm reduction has started to deliver services to the intended beneficiaries. A total of 3020 individual are the direct beneficiaries of the project.
- Employment generated by the construction activities for the Micro Hydro Electric plants in Badakhshan. The project will benefit directly 3,852 households directly reaching 23,112 individuals as indirect beneficiaries once completed.
- The on-going mushroom project provides income earning opportunity to 100 farmer families (600 individuals), while the protected agriculture technology project benefit 200 households in rural areas.

2.2 IMPLEMENTATION STRATEGY REVIEW

Participatory/consultative processes /Quality of partnerships

The CNTF programme has been developed through a participatory and consultative process from the day one. The programme document and its current implementation strategy is the result of a combined collaboration among the Government of Afghanistan (MoF and MCN), UNDP, the government of UK (BEDT team) and the DFID.

Line ministries and technical department at the national level carry out need assessment and design projects in close consultation with the provincial authorities and local communities. The proposed projects are then reviewed and endorsed by the Management Board which represents the GoA(MoF and MCN), Donors (EC), International organizations (ADB), the government of UK as a leading nation in Counter-Narcotics and the UN (UNAMA, UNDP and UNODC) .

UNDP is working hand in hand with other partners such as BEDT and ASI in developing the capacity of the government counter parts.

Moreover, several missions have been undertaken by the CNTF to establish a dialogue at the provincial level. Each project proposal is also reviewed in relation to the community involvement during the proposal development process. A “Needs Assessment” project that would improve the bottom-up approach to project development and allow for a social contracting between the GoA and communities has been drafted, discussed and revised. The final version is now ready and agreed on by the different stakeholders and will be tendered in the first quarter of 2007.

The CNTF, MCN and MoF have developed a strong partnership in which any type of difficult and complex issues are jointly discussed and resolved. The MCN is further building partnerships with more line ministries to develop new projects with the goal to achieve a balanced portfolio across the eight pillars.

National Ownership

As mentioned earlier, the CNTF is fully nationally owned and implemented programme. The GoA is taking the lead role in setting up priorities, resource allocation, project implementation monitoring and supervision. The fund is administered by UNDP, all the financial resources are channeled through the Treasury of the government. This provides the GoA with an opportunity to manage and oversee the expenditure made by the programme. The programme funds only those projects which have been identified and selected for funding through the national development budget of the government.

2.3 MANAGEMENT EFFECTIVENESS REVIEW

Quality of monitoring

CNTF team made two monitoring site missions for protection wall project in Nanghar and Drug Rehabilitation project in Jalalabad in 2006. As most projects in the CNTF portfolio have not moved beyond the procurement phase, monitoring efforts have focused on measuring the impact of capacity building interventions at MCN and line ministry level.

As more and more projects are moving into the implementation phase, the number of monitoring missions in 2007 is expected to increase substantially. The Monitoring Agent (MA) will start working within the MoF to monitor and ensure appropriateness of all financial transactions.

Timely delivery of outputs

The CNTF experienced significant delays in most areas, especially in project identification, development, and implementation. These have hindered achieving the implementation targets on time in 2006.

The Fund was designed based on the assumption that line ministries would forward their CN related projects to the CNTF for approval and then implement them. It turned out, however, that the quality of proposals were either unacceptable or needed re-work and further development, which caused serious delays. Even after approval, the projects could not progress as expected. This is due to a combination of low capacity, limited understanding of new GoA laws, rules, and policies, and lack of motivation and commitment of the line ministries.

Resource Allocation/ Cost Effective use of Inputs

The Programme Management Office has been established in the MCN through UNDP core fund support. In addition, a small component of capacity development support has been built-in the project budget approved for the line ministries. The ratio between programme management costs and funds allocated to development projects is comparatively low and represent less than 10 percent of overall cost of the projects. The low cost for the programme management is maintained because the high-level involvement of UNDP regarding the day-to-day operations of the programme.

Although that it can be considered that the operating costs to support the project has been considerably low and the funds have been used very cost-effectively so far, there is a continued need to support capacity building to the GoA in order to boost the project implementation. In this regard, it is expected to have a specific project that will address the capacity concerns in the line ministries while the programme management cost for individual project will remain low.

III. PROJECT RESULTS SUMMARY

In view of the limited capacity of the line ministries, absence of robust and efficient procurement procedures and lack of project management skills, the implementation posed a major challenge to CNTF funded projects. Out of the total 21 approved projects only 5 were able to start practical implementations in 2006. The major activities undertaken and outputs produced by those five projects are as follows:

(i) Comprehensive Drug Treatment, Rehabilitation, Harm Reduction and Prevention Service Project

The project is being implemented by the Ministry of Public Health in Jalalabad and Balkh provinces with the aim to empower local communities in the two provinces to effectively reduce the demand for drugs and combat drug abuse problems. The total approved project cost is US\$ 358,848.

The major activities that have been completed and outputs produced so far include recruitment of 4 staff for Kabul Office, procurement of necessary equipments, tools, medical supply and project materials, establishment of treatment centres in Jalalabad and Balkh provinces and recruitment and training of 22 technical and 10 ancillary staff for treatment centres.



Picture 1: Conduction of a training on Drug Treatment, Rehabilitation, Prevention and Harm Reduction for 22 technical staff.

(ii) Establishment of Drug Demand Reduction Community Out Reach Centres

The project is implemented by the Ministry of Public Health in order to establish 8 community based drug treatment centres in Jawzjan, Faryab, Kunduz, Ghazni, Bamyán, Ghore, Farah and Nimroz provinces. The approved budget for the project is US\$. 935,361 out of which US\$ 82,020 reported as expenditure in 2006.

The main outputs of the project to date is the recruitment of and training of 88 technical and 24 ancillary staff, renovation of out reach units in 6 provinces and procurement and provision of medical supply to the established centres.



Picture 2: Treatment of drug addicts in a treatment centre

(iii) Micro Hydro Power for Productive Use

The project is under implementation by the Ministry of Energy and Water (MEW) with the aim to improve and diversify income generation for rural households in three districts of Badakhshan provinces. The total approved project cost is US\$2,535,700. The project plans to construct three micro hydropower systems, technical and business training for productive use, providing access to funds for purchasing of machinery and equipment, an impact monitoring system and supports the Renewable Energy Department in capacity building measures.



The main achievements of the project so far are the recruitment of experts for capacity building, conducting training in AUTOCAD in-country and overseas for department engineers and operators (six weeks for 3 operator staff in Nepal), study tour for technical staff of the ministry to China (6 participants for 2 weeks), and construction of canals at the project sites.

Picture 3: Construction of a water supply canal for the micro hydropower plant in Badakhshan.

(iv) Protected Agriculture Technology

The project is implemented by the Ministry of Agriculture and Irrigation with the aim to construct 200 greenhouses in Balkh, Nangarhar and Urozgan province. The total cost of the project is US\$ 1,477,193 to be spent in two years. To date, the project office has been set up in the ministry, essential staff recruited and necessary equipment procured. The potential sites for the construction of the greenhouses have been identified and the installation process is going on.

(v) Production of Mushrooms

The project is being implemented by the Ministry of Agriculture and Irrigation in order to introduce mushroom production to local communities in ten provinces as a possible alternative livelihood. Total budget approved for the project is US\$ 130,825, out of which US\$ 31,847 spent in 2006. The construction of two labs for mushroom cultivation has been completed in Kabul and Balkh provinces. The necessary equipment and material procured and the cultivation for the viability assessment has been implemented. The project management unit has been established at MoAI.

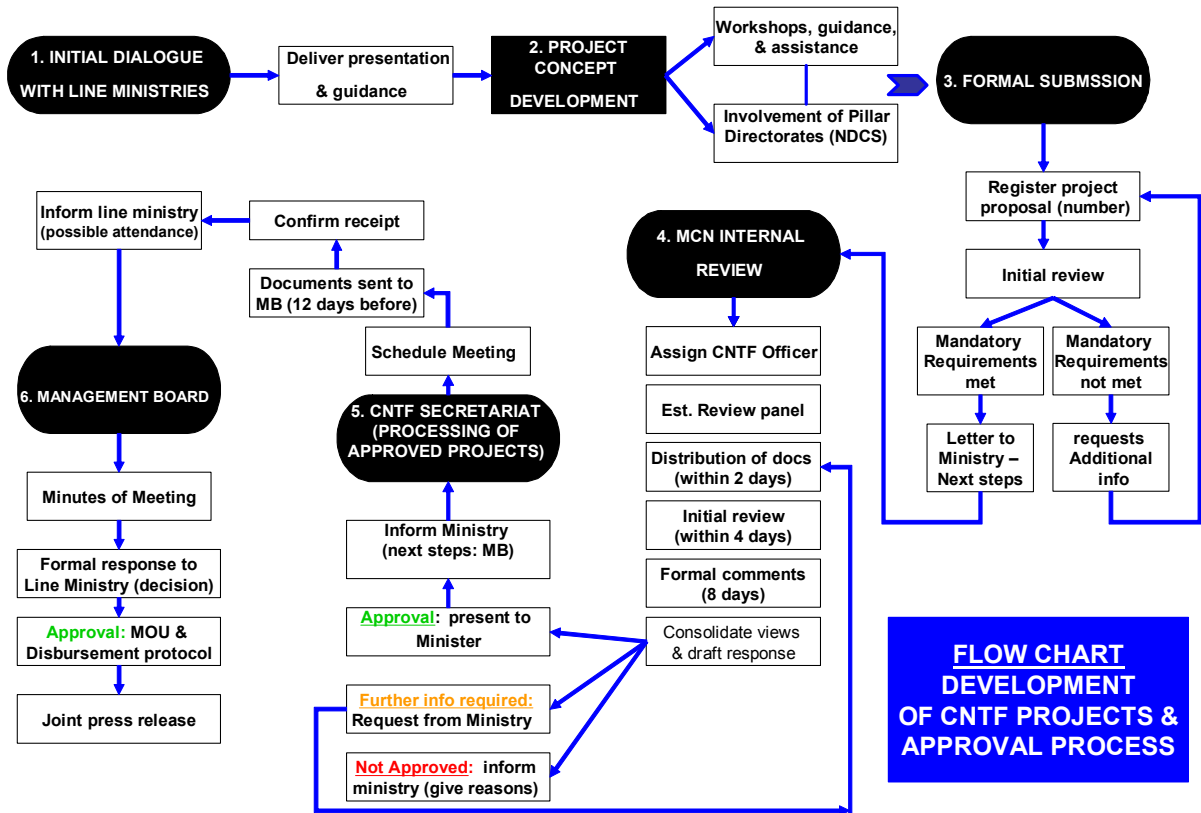


Picture 4: Mushroom production funded by the CNTF

IV. IMPLEMENTATION ISSUES

Project development as well as its implementation by the line ministries, as foreseen by the CNTF implementation strategy, turned out to be a major challenge faced by the programme. Lack of capacity and resources, bureaucratic procedures, little or limited practical knowledge of the new procurement rules and regulations, and the lack of project management skills caused serious delays in the programme. Furthermore, unlike other projects that are funded through the government national budget process, the Management Board of the CNTF has the final authority for approval of funding to projects generated by line ministries. Sometimes this is not reflected by the MoF in its annual budgeting process. Though sufficient flexibility has been exercised by the MoF, the retroactively entering the approved project into the national budget structure proved to be difficult, and thus cause further delay in the execution of the CNTF budget by the line ministries.

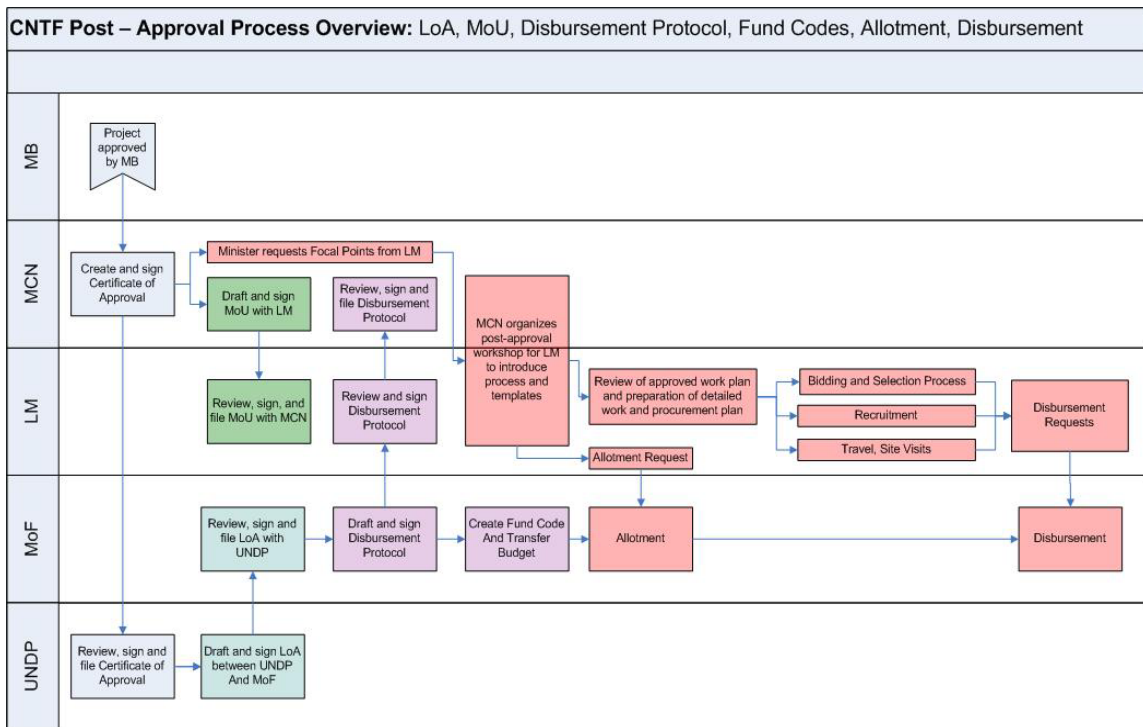
Another important aspect of the CNTF projects is the complex and cumbersome process of project generation and formulation. As illustrated in the flow chart below, to formulate a single project, line ministries need to undertake at least 33 steps, some of them need up to a week time to be completed. It turned out that the line ministry and MCN may need to work for at least three months to formulate a project document to be of quality for consideration by the Management Board.



Once a project is approved by the Management Board, another similar complex and time consuming post approval process is needed to enable the implementing partner to move on the

implementation. Depending on the capacity of the line ministry, it usually takes another 2-5 months to have the first advance received, as illustrated below.

Post Approval Process



Implementation assessments carried out by the UK and UNDP in fall 2006 shows clearly that the CNTF programme development and implementation capacity at MCN and project development and implementation in the line ministries need to be strengthened for the CNTF to be successful.

The CNTF experience shows that the line ministries have little or no capacity to develop and implement CNTF projects. They require support and guidance in the development of feasible projects from initial project ideas, project management, procurement, planning, developing viable work plans, reporting, financial management, and asset management.

The national financial procedures are new and in some cases still under formulation. The level of the understanding of these rules and procedures by the line ministries is limited. The new procurement law pose a major challenge. The procurement law of Afghanistan is newly drafted and issued as administrative instruction. The procurement regulations are being drafted. The law is under the process for legislation. The line ministries are not familiar with the new law and many of the delays in implementation are due to poor understanding of the new procurement law and procedures.

There is also a lack of commitment from line ministries. Staffs are poorly paid and there is no motivation to take on CNTF projects which is seen as additional work with no benefits for the staff. Many of the line ministries struggling to make sure that a reasonable percentage of the national development budget allocated to them is executed. Hence, CNTF projects are perceived as additional burden to their work.

In addition, the MCN itself needs increased capacity to run the CNTF more effectively in order to provide the support needed by line ministries during project development, implementation, monitoring and evaluation.

V. LESSONS LEARNT AND NEXT STEPS

5.1. LESSONS LEARNT

The support and flexibility shown by the MoF turned out to be at large extend instrumental to facilitate the smooth implementation of the CNTF funded projects: The ministry has opened a blank window for up to US\$ 30 million in the national development budget for the CNTF potentially funded project. The MoF has also organized on a regular basis workshops sessions to line ministry staffs on financial and procurement procedures. CNTF has appointed focal points in the MoF to help process CNTF project issues speedily and in general support line ministries.

A newly created working group mechanism helped improving the CNTF issues and implementation; A working group comprising of representatives from MCN/CNTF, UNDP, UNODC, Donors (including BEDT, ASI, and a consulting company), ADB etc has been commissioned by the Management Board. The working group assists the Board in analyzing some of the implementation issues to come up with practical recommendations, review projects as requested by the board prior to approval, participate in the project approval committee when necessary and assist the board as required.

Being the first fully “National Implementation” programme, it become apparent that there is a great need to improve the capacity within the line ministries for project development and implementation: CNTF implementation in 2006 showed to the various stakeholders for the need to focus and provide support to improve financial management, project management, monitoring and evaluation and reporting by line ministries. In order to fill the gap, there was much support provided by UNDP and other donors to support the project development and implementation in 2006. This issue needs to be addressed more strategically and a specific Capacity Development project is being formulated for possible implementation in 2007.

CNTF with support of UNDP organized a workshop on Afghanistan Procurement Law which was well received by the line ministries. The new procurement law aims at ensuring that scope for corruption is minimized. The feed back from participants was positive and the need for follow up training is identified.

One of the main causes for delay in implementation is the inability of contractors/businesses to effectively participate in the public tendering process. In some cases as many as 98 % of the bids received do not qualify to be responsive due to lack of knowledge of the requirements and procedures. This would continue to be serious set back if not addressed. UNDP is taking the initiative to have workshops organized for the businesses in Kabul and selected regions partnering with the national trade promoting agencies. Also, the need to change some of the banking regulations would be taken up to facilitate easy access to Bid bonds to the participants in the tenders.

5.2 RECOMMENDATIONS

If the CNTF is to continue being implemented through national implementation modality, the capacity development of the MCN, Line Ministries and the relevant provincial departments is to be address through a more comprehensive and systematic manner.

The level of flexibility shown by the MoF in 2006 needs to be continued in 1386 budgeting exercise. This will help CNTF to approve projects out side the national budget and allow the line ministries to include their approved projects into the national budget once the CNTF resources are secured.

Though Alternative Livelihood pillar may still remain the major focus of the CNTF, the programme support should be expended to all pillars of the NDCS.

In view of the limited capacity of the line ministries at the national level, the resources of the Fund could be potentially opened to provincial technical institutions and directorates, private sector, NGOs, UN Agencies, Civil Society and local communities

VI. FINANCIAL STATUS AND UTILISATION

FINANCIAL STATUS

Table 2: Contribution Overview [June 2005 – December 2006]

Donor	Donor Contribution (US\$)		
	Total Commitments	Total Received	Contribution Balance
Australia	1,526,718	1,526,718	-
Canada	1,052,632	1,052,632	-
Cyprus	10,000	10,000	-
EC	17,647,059	14,117,647	3,529,412
Estonia	50,000	50,000	-
Japan	5,000,000	5,000,000	-
New Zealand	352,609	352,609	-
UK	44,347,826	15,652,173	28,695,653
Italy	1,317,523	1,317,523	-
UNDP	612,721	612,721	-
Poland	100,000	100,000	-
Total	72,017,088	39,792,023	32,225,065

Table 3: Funding Status (as of the end of 2006)

Donor	Expenditures			Project Balance	Available Funding (as of 1 Jan of the next year)
	Period Prior to the Reporting Year	Reporting Year Only	Total		
UNDP	8,225	604,496	612,721	0	0
Australia	-	-	-	1,526,718	1,526,718
Canada	-	-	-	1,052,632	1,052,632
Cyprus	-	-	-	10,000	10,000
Estonia	-	-	-	50,000	50,000
New Zealand	-	-	-	352,609	352,609
UK	-	-	-	15,652,173	15,652,173
Japan	-	-	-	5,000,000	5,000,000
Italy	-	-	-	1,317,523	1,317,523
EC	-	823,423	823,423	13,294,224	13,294,224
Poland	-	-	-	100,000	100,000
Total	8,225	1,427,920	1,436,144	38,355,879	38,355,879

FINANCIAL UTILISATION

Note: All annual project expenditure figures are subject to later adjustment.

Table 4: Annual Expenditure by Activity [1 January – 31 December 2006]

Activity	Budget (Year)	Expenditures	Balance	Delivery Rate %
Activity 01 Institutional Building	735,922	604,496	131,426	82
Activity 03 Alternative Livelihood	32,750,145	764,749	31,985,396	2
Activity 05 Criminal Justice	1,688,476	-	1,688,476	-
Activity 07 Demand Reduction	2,087,378	34,691	2,052,687	2
UNDP GMS	1,099,858	23,983	1,075,875	2
Total	38,361,780	1,427,920	36,933,860	4

Note: Italy and Poland's contribution was made at the end of fiscal year, and therefore not reflected in the budget for 2006.

Table 5: Annual Expenditure by Donor [1 January – 31 December 2006]

Donors	Activity	Budget (Year)	Expenditures	Balance	Delivery Rate
UNDP	Activity 1: Building Institution	600,000	604,496	-4,496	101%
Subtotal UNDP		600,000	604,496	(4,496)	
UK	Activity 1: Building Institution	135,922	-	135,922	0%
	Activity 3: Alternative Livelihood	11,284,508	-	11,284,508	
	Activity 5: Criminal Justice	1,688,476	-	1,688,476	
	Activity 7: Demand Reduction	2,087,378	-	2,087,378	
GMS 3% (see agreement)		455,889	-	455,889	
Subtotal UK		15,652,173	-	15,652,173	
NZ	Activity 3: Alternative Livelihood	342,339	-	342,339	0%
GMS 3% (see agreement)		10,270	-	10,270	
Subtotal NZ		352,609	-	352,609	
EC	Activity 3: Alternative Livelihood	13,706,453	764,749	12,941,704	6%
	Activity 7: Demand Reduction	-	34,691	(34,691)	
GMS 3% (see agreement)		411,194	23,983	387,211	
Subtotal EC		14,117,647	823,423	13,294,224	
Estonia	Activity 3: Alternative Livelihood	48,544	-	48,544	0%
GMS 3% (see agreement)		1,456	-	1,456	
Subtotal Estonia		50,000	-	50,000	
Canada	Activity 3: Alternative Livelihood	1,021,973	-	1,021,973	0%
GMS 3% (see agreement)		30,659	-	30,659	
Subtotal Canda		1,052,632	-	1,052,632	
Japan	Activity 3: Alternative Livelihood	4,854,369	-	4,854,369	0%
GMS 3% (see agreement)		145,631	-	145,631	
Subtotal Japan		5,000,000	-	5,000,000	
Australia	Activity 3: Alternative Livelihood	1,482,250	-	1,482,250	0%
GMS 3% (see agreement)		44,468	-	44,468	
Subtotal Australia		1,526,718	-	1,526,718	
Cyprus	Activity 3: Alternative Livelihood	9,709	-	9,709	0%
GMS 3% (see agreement)		291	-	291	
Subtotal Cyprus		10,000	-	10,000	
Total		38,361,780	1,427,919	36,933,861	4%

Note: Italy and Poland's contributions were made at the end of fiscal year, and therefore not reflected in the budget for 2006.

CONTACT INFORMATION

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ANNEXES

(1) STATUS OF APPROVED CNTF PROJECTS AS OF JANUARY 2007