This action is funded by the European Union

ANNEX 2

of the Commission Implementing Decision on the Annual Action Programme 2016 part 2 and 2017 part 1 in favour of Afghanistan to be financed from the general budget of the European Union

**Action Document for the Support to the Jobs Focused Stimulus Initiative**

<table>
<thead>
<tr>
<th>1. Title/basic act/ CRIS number</th>
<th>Support to the Jobs Focused Stimulus Initiative for Afghanistan; CRIS number: ACA/2016/039-199 Financed under the Development Cooperation Instrument</th>
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<tr>
<td>2. Zone benefiting from the action/location</td>
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<td>4. Sector of concentration / thematic area</td>
<td>Rural Development</td>
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<td>5. Amounts concerned</td>
<td>Total estimated cost: EUR 126 700 000</td>
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<td>This action is co-financed in joint co-financing by the other contributors to the Afghanistan Reconstruction Trust Fund National Solidarity Programme (EUR 96 700 000)</td>
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<td>6. Aid modality(ies) and implementation modality(ies)</td>
<td>Project Modality</td>
</tr>
<tr>
<td>7 a) DAC code(s)</td>
<td>Main DAC code 31120</td>
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<tr>
<td>b) Main Delivery Channel</td>
<td>World Bank - 44001</td>
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<td>8. Markers (from CRIS DAC form)</td>
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<td>Participation development/good governance</td>
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<td>Combat desertification</td>
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<tr>
<td>9. Global Public Goods and Challenges (GPGC) thematic flagships</td>
<td>Environment and climate change; Human development; Food security and sustainable agriculture and fisheries; Migration and asylum.</td>
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SUMMARY
Afghanistan faces significant political, security and economic challenges following the departure of the International Security Assistance Force combat troops at the end of 2014. The ensuing socio-economic crisis risks to further exacerbate political and social fragility in a vicious circle and exert further pressure on out-migration. The Government is in urgent need of support until its reform programme begins to show results towards self-reliance.

Against this backdrop, the Government of Afghanistan has launched the Jobs Focused Stimulus Initiative to deliver on short-term economic recovery and job creation. This initiative relies on refocusing projects within the World Bank administered Afghanistan Reconstruction Trust Fund (ARTF) towards quick disbursement and labour-intensive activities.

This proposal will contribute to this initiative by supporting the ARTF - managed National Solidarity Programme (NSP). The overall objective is to contribute to Afghanistan's socio-economic stabilization in a context of increased political fragility and economic crisis. The specific objective is to stimulate aggregate demand and job creation. The main components are (i) rehabilitating agricultural and marketing infrastructure; (ii) fortifying urban peripheries; and (iii) availing micro-grants for female-headed households.

The sustainability of this action is based on the successful implementation of the government's comprehensive reform programme that is intended to reduce the fiscal gap, boost national productivity, improve governance, and ensure equitable, balanced, and gender-sensitive economic growth.

1 CONTEXT
1.1 Sector/Country/Regional context/Thematic area
According to the World Bank and the International Monetary Fund (IMF), the Afghan economy has witnessed a remarkable slowdown since 2014, shifting from an average growth rate of 9.4% per year during the 2003-12 period to 1.3% in 2014 and an estimated 1.5% in 2015. The change is mainly attributed to the 2014 military disengagement, the prolonged 2014 presidential electoral process and the overall declining levels of international engagement. The formerly expanding service sector that characterized the pre-2014 economy is most affected as it represented 54.4% of the Gross Domestic Product (GDP) in 2011/12. This reflected the weight of a profitable service industry driven by defense spending and Official Development Assistance, including real estate services, security, communication, supplies, logistics and transport. It is now increasingly becoming evident that the Afghan economy has not yet moved on a sustainable trajectory. According to Afghanistan’s Central Statistics Organization, unemployment peaked at 40% in 2015 compared to 25% in 2014, leaving over 1.8 million eligible workers unemployed, of which about 675,000 lost their job in the past year alone. This economic shock contributes to the overall fragile situation.

An economic downturn was indeed forecasted when the international community began its withdrawal from Afghanistan in late 2012. At that time, however, expectations were that international commitments to sustain donor development assistance would mitigate the impact of the economic, political, and security transitions as long as the government implemented a strong programme of economic reform which would have stimulated the economy and created jobs. While the government has started implementing such a reform programme, the
magnitude of the crisis and the multiple challenges faced by the National Unity Government were more severe than anticipated, leading to job loss, popular discontent, increased poverty and increased out-migration as many Afghans began leaving the country. According to International Organisation for Migration, 186,500 Afghans arrived in Europe alone during 2015.

The human costs and the political and social consequences of this economic crisis in a country which was already ranked as the fourth poorest in the world are severe, and the risk for it to feed into further fragility and instability is high. Such an environment has now become more conducive for insurgents to recruit disillusioned youth, as more than 400,000 youth enter the job market every year, and face prolonged periods of unemployment.

The government is in urgent need of support to face this economic shock until the reform programme begins to deliver results in addressing the chronic weaknesses of the economy. The current evolution of the situation particularly resonates with the security situation dimension of the “overall risks and mitigation measures” section of the European Union's (EU) Multi-Annual Indicative Programme (MIP) 2014-2020 for Afghanistan: more than ever, conflict sensitivity will be important in ensuring that interventions are effective and do not exacerbate existing problems.

1.1.1 Public Policy Assessment and EU Policy Framework

The Government’s Jobs Focused Stimulus Initiative is aligned with its medium and long-term economic strategy, which is outlined in the “Realizing Self Reliance” policy. The government has committed to reduce the fiscal gap, boost national productivity, improve governance, and ensure that growth is equitable, balanced, and gender-sensitive. This framework requires progress in integrating Afghanistan into the international trade system. In this regard, the Afghan government has started implementing a comprehensive reform programme that is intended to build a shared, sustainable and well-managed economy through trade, an enabled private sector, and public investments that promote market-driven growth. The IMF confirmed that the Staff Monitored Programme is on track, particularly for the fiscal and financial sector. The United States' New Development Partnership, a policy-based support programme, is disbursing on schedule as to date all reform triggers have been met on time and to a satisfactory degree. The Senior Officials Meeting held in Kabul on the 5th of September 2015 also confirmed that the government had met 23 of the 25 short-term reform commitments that had been made in the London Conference in 2014.

The government’s reform agenda has focused on creating enabling conditions for entrepreneurial firms and individuals to build value chains that will boost economic productivity. Cross-border electricity programmes have been signed that will provide both revenue and energy to Afghanistan. Irrigation investments are underway, with large and medium sized water resource development programmes now starting in several parts of the country.

At the 2015 September Senior Officials Meeting, the President put forward a series of concrete actions that government will be taking to support domestic entrepreneurs, in particular freeing them from outdated regulations and corruption. The government has also launched a series of pro-poor programmes such as land certification for irregular settlements that can provide tenure security and trigger poor people’s investments.

While the government’s plans to reduce aid dependency with an economy built around job creation from private sector growth are credible in the mid- to long-term, the speed, scale, and
depth of the economic contraction and its human costs can still be highly destabilising in the short-term.

Against this backdrop the Afghan Government launched the Jobs Focused Stimulus Initiative in November 2015 to restore faith in the struggling government and economy. This will involve maintenance work on development projects in rural areas, and cleaning work in or around the urban centres. The local Community Development Committees (CDCs) are to identify the most vulnerable households in each village who will benefit from the initiative. The government's plan is to implement this initiative mainly by refocusing existing ARTF projects. This short-term focus seems crucial to address growing discontent among the population, reduce popular disenchantment and slow out-migration, allowing the time needed for the Government led reforms underway to be effective and produce the expected results.

The EU has been a long-standing partner of, and a major donor to, Afghanistan’s reconstruction and development. In line with the EU's Agenda for Change and its international commitments for engagement in fragile and conflict affected states, the EU has progressively adopted a comprehensive approach while implementing development aid in Afghanistan. Linking development cooperation, humanitarian relief, conflict prevention as well as peace and state building, the EU's overall strategic objectives 2014-2020 include the promotion of peace, stability and security; the promotion of economic and human development; and the protection of human rights, in particular the rights of vulnerable groups such as women, and children. A Mutual Accountability Framework has been agreed in Tokyo (2012) and refreshed in Kabul (2015). The EU, together with other major donors, is a key partner in the Self-Reliance Mutual Accountability Framework which allows for a structured high level policy dialogue and monitors progress on government reforms and donors' commitments towards improved effectiveness of aid. The integrity of public finances and revenue growth are also part of this policy dialogue.

1.1.2 Stakeholder analysis

According to the government's own preliminary analysis, four distinct population groups are most exposed to the current economic and security-stability situation:

- Vulnerable families at or below the poverty line for whom “classical” social protection transfer and labour-intensive public works programmes can provide a safety net;
- Skilled and semi-skilled citizens who have either recently lost jobs or have just entered the job market;
- Conflict prone or conflict affected groups where the government needs to create legitimacy and incentives for stability;
- Repatriated asylum seekers, refugees and Internally Displaced Persons (IDPs).

The latest Afghan Living Condition Survey (ALCS, formerly National Risk and Vulnerability Assessment NRVA), which was conducted just before the crisis in 2013-14, provides some baseline elements: the part of the population living below the poverty line went from 36.5% in 2012 to 39.1% in 2014, with increased inequality and one third of the population suffering from food insecurity. The increased economic hardship and insecurity that has occurred since then have produced a loss of confidence among all these vulnerable categories of the Afghan population with the effect of fuelling discontent and out-migration.

Overall coordination of the government's initiative will be facilitated through the newly formed Human Capital Development Council, backed up by the Ministry of Finance, which
will supervise the allocation of the budget to the various components of the initiative and monitor disbursements. This is done in the framework of the newly established aid coordination mechanism at national level. The Ministry of Finance has formed a task force to identify disbursing bottlenecks within already existing programmes that will contribute to the initiative. This task force will also help large off-budget programmes to coordinate with on-budget ones. Depending on the nature of the activities, lead governmental entities will be the Ministry of Rehabilitation and Rural Development, the Ministry of Agriculture, Irrigation and Livestock, the Ministry of Public Works and the Ministry of Urban Development Affairs.

The CDCs, a community based network developed by the government through the National Solidarity Programme’s (NSP) successive phases, will play a central role in the implementation of this action. They are already being used by many of the World Bank managed ARTF projects and are an essential outreach tool. These community level institutions take responsibility for identifying local priorities and have shown a solid track record.

*Private Sector Involvement*

Transport infrastructure will be built through private sector contracting. As the investment and regulatory climate in Afghanistan is expected to improve, the government will increasingly use mechanisms such as on-lending to banks, tax concessions to private firms, and public-private partnerships to replace the jobs programmes.

Operational approaches to private sector development will also need to improve the skills of the Afghan workforce. Various reviews and proposals have identified both the high demand by private sector employers for workers whose skills are aligned with job requirements, and the need for a larger, more effective programme of vocational skills development, apprenticeships, and training in entrepreneurship for both men and women. The Human Capital Development Council will include these issues in its planning for the national employment strategy that will evolve from the jobs programmes.

*Civil Society*

Civil Society Organizations (CSOs) would be essential partners throughout the process. The large rural programmes such as NSP already collaborate closely with civil society groups as implementers, trainers, and monitors. CSOs will be particularly important partners for ensuring independent oversight and reporting of corruption and other forms of malfeasance. Effective use of the media will also be a critical component of the design. Fast-disbursing programmes will require the broad dissemination of knowledge about rules and entitlements and clear information on how to lodge complaints. The initiative will build on the recently signed Memorandum of Understanding with Civil Society to develop information-sharing protocols.

1.1.3 *Priority areas for support/problem analysis*

The Jobs Focused Stimulus Initiative feeds into the government’s medium and long-term economic strategy. As such, the initiative is not just concerned with the poverty dimension of the jobs crisis, but also with the loss of critical human capital as Afghanistan’s educated young people leave the country. In this regard, the organising framework for the government’s initiative will follow two dimensions:

- First, a range of short-term labour intensive actions that can use existing designs and modalities, such as expansions of ongoing programmes, re-allocations, and short-term
transfers. These will start being disbursed in the course of the first semester of 2016 and will continue over a period of 30 months;

- Second, longer term actions that require more preparation to launch but which are more closely aligned with the private sector growth strategy will phase in by 2018. In this regard, the World Bank is working on a number of options to sustain the model and therefore ensure continuity of service delivery. Those include actions and policy reforms in support of private sector led growth; and confidence-building measures in governance and fiscal management to show improvement in allocation and execution efficiency, policy stability, and commitment to fight corruption.

The first stabilisation phase will reduce social tensions allowing time for the reform programme to be implemented in parallel. This activity contributes to the first phase through support to the ARTF – managed NSP, delivering block grant resources at CDCs level focusing on the following priority areas (i) agricultural and marketing infrastructure; (ii) most at risk urban peripheries; and (iii) micro-grants for female-heads of households. At all stages, human rights, gender issues as well as climate change and environmental considerations will be taken into consideration as per NSP standard implementation modalities.

The exit strategy of the Jobs Stimulus initiative relies on the expected medium-term stabilisation as reform and longer term development programmes will be implemented in parallel, allowing the economy to recover through increased revenue generation, more business friendly environment and improved rule of law.

2 RISKS AND ASSUMPTIONS

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk level (H/M/L)</th>
<th>Mitigating measures</th>
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<tbody>
<tr>
<td><strong>Insecurity</strong>: Risks outside direct control of the EU relate to the general state of insecurity and political instability of the country.</td>
<td>High</td>
<td>These will continue to be monitored closely. Spreading disbursements through the wide CDCs network will allow for a better management of the risks related to working in such complex environment, given CDC’s high rate of acceptance among communities, including in conflict affected areas.</td>
</tr>
<tr>
<td><strong>Macroeconomic</strong>: Government’s capacity to cohesively address reforms intended to build a growing, sustainable and well-managed economy through trade, an enabled private sector and public investments that promote market-driven growth such as electricity, connectivity, and water resource development remain a challenge.</td>
<td>High/Medium</td>
<td>This will require a continuing policy dialogue with sector institutions such as Ministries of Economy and Finance, the Presidency, IMF, and World Bank.</td>
</tr>
<tr>
<td><strong>Corruption/Fraud</strong>: Corruption continues to be a major concern in Afghanistan and poses a significant fiduciary risk in entrusting the management of resources.</td>
<td>High</td>
<td>The World Bank / ARTF fiduciary mechanisms are solid. These will nevertheless be closely monitored.</td>
</tr>
<tr>
<td><strong>Aid Diversion</strong>: Risks of elite capture and rent seeking - powerful brokers at local level could capture the benefits supposed to accrue to the wider community.</td>
<td>Medium</td>
<td>Such risks will be reduced by working with transparent procedures through community-based institutions such as the CDCs; by using a competitive approach in assigning community grants; by ensuring tight due diligence and cost sharing provisions with communities; and monitoring and community level awareness raising campaigns.</td>
</tr>
<tr>
<td><strong>Natural Hazards</strong>: Natural hazards remain a constant threat, especially in light of the vulnerable nature and limited resilience of rural livelihoods.</td>
<td>Medium</td>
<td>Close coordination with ECHO, advocacy within the Agriculture and Rural Development cluster for improved policy making in emergency preparedness and clear distribution of tasks across concerned institutions.</td>
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</table>
Assumptions

- The security context does not degrade dramatically and continues to allow for a flexible approach through CDCs to remain operational and adapt to contextual evolutions;
- The comprehensive programme of reforms implemented by the Government remains on track, allowing for an exit strategy of this Jobs – Focused Stimulus Initiative;
- Access to beneficiary communities remains feasible to enable sufficient monitoring and avoid aid diversion.

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The Jobs Focused Stimulus Initiative will build on a number of key lessons learned from past efforts in Afghanistan, such as the National Emergency Employment Programme (NEEP); the National Emergency Employment Programmes for Rural Access (NEEPRA); the NEEP for Demobilization, Disarmament and Reintegration, and Rural Livelihood Support (NEEP/DDR/RLS); and the National Rural Access Programme (NRAP, as a follow up of NEEP). Out of these past experiences, the Government has drawn the following lessons learnt to be used in the framework of its Initiative:

- The government will restrict the number of actions to a manageable number and they should be able to operate at a national scale;
- Actions will be largely pre-designed and operational or close to being so;
- Actions will be administratively simple. Where possible, and in the framework of a sound public finance management, they will involve simplified procurement, reduced number of transactions, with very little complex record-keeping;
- Labour intensive public works in both rural and urban areas will be carried out using local Afghan workforce and construction materials;
- Appropriate technical input will significantly improve the quality of physical assets;
- Reduced discretion, heightened public transparency, and prompt sanctions will reduce fiduciary risks;
- Care will be given to not undermine existing markets and jobs through give-away actions or by paying above local market minimum wages;
- Job support actions will be designed so as to be economically and socially useful and lead towards private sector employment or market participation;
- Operating costs and overheads will be kept to a minimum by using economies of scale and avoiding complex designs;
- Monitoring will track effectiveness and ensure that targets are achieved.

An important lesson learnt from previous NSP phases is that the infusion of block grant resources has induced a short-term stimulus effect in the targeted communities. Furthermore, the completion of effective infrastructure through these grants has also yielded some sustainable longer term economic outcomes and improved perceptions of villagers about future economic perspectives.

These lessons learnt by the Government and the international donor community from previous experience, and the need to act swiftly, have led to a focus on adjusting ARTF projects which are already fully operational and able to absorb additional support. In addition, these lessons
learnt are in line with the World Bank and EU practice in recovery contexts and are already part of the EU supported ARTF/NSP approach and procedures.

3.2 Complementarity, synergy and donor coordination

The government's national policy coordination mechanisms have recently been restructured. Within this new framework, six Development Councils have recently been established to provide policy coordination and monitor progress delivery: (i) the Human Capital Development Council; (ii) the Infrastructure Development Council; (iii) the Natural Resource Development Council; (iv) the Connectivity and Regional Economic Cooperation Development Council; (v) the Rural Development Council; and (vi) the Governance and Justice Council. A Policy Delivery Unit is being established in the Ministry of Finance to serve as a secretariat to the councils and will provide monthly progress reports to the Cabinet of the President. It will also serve as the repository for development documents and is the organizing anchor and coordinating body for engagements with governmental stakeholders.

The newly formed Human Capital Development Council will be in charge for the overall coordination of the Jobs Stimulus initiative. Donor Coordination Groups will be established at the level of each development council and will, jointly with the government, serve as a platform for information exchange and to promote structured stakeholders consultations on aid programming and resource allocation.

ARTF donors have agreed with the restructuring of priority projects. In particular, NSP has already reallocated USD 50 million towards the initiative. Additional contributions will be brought by the United Kingdom and the USA and possibly Germany. In addition, the USA is also increasing its contribution for skill development through off-budget projects and the Asian Development Bank administered Afghanistan Infrastructure Trust Fund is exploring coordination and synergies.

The use of Trust Funds ensures coordination of donor funding under government leadership and the EU, as a major donor of the ARTF, uses this mechanism to strengthen government-led donor coordination. The EU has already been supporting NSP and Afghanistan Rural Access Project for a total amount of EUR 130 million since 2003, with an on-going contribution of EUR 84.5 million. This proposal is well in line with the Agriculture and Rural Development sector objectives, as described in the MIP. It will be complementary to the recently approved EUR 102.5 million "EU support to Agriculture and Rural Development in Afghanistan" that aims at creating prosperous, stable and resilient rural communities by promoting sustainable economic growth and employment in rural areas.

This support can also complement future EU support to specific migration related activities in Afghanistan, reinforcing the existing technical assistance provided to the Ministry of Refugees and Repatriation and/or other relevant ministries and bodies.

3.3 Cross-cutting issues

The Gender dimension is prominently mainstreamed in the Jobs Focused Stimulus Initiative, as actions to be supported through the ARTF envisage gender specific components aimed at fostering participation in community governance structures and enhancing women's economic opportunities, access to and control over resources. As an example, women CDC membership is set at a minimum of 30%. An ARTF gender working group is in place to support the monitoring of gender indicators such as increases in female literacy or support to female farmers.
Counter-Narcotics: The Jobs Focused Stimulus Initiative will improve access to remote areas and generate substantial employment at local level, which should contribute to greater opportunities for livelihood diversification especially in agriculture. This in turn will contribute to developing viable alternatives to illicit crops.

Environment: The "Rehabilitating agricultural and marketing infrastructure" and "Fortifying urban peripheries" components of the initiative will contribute towards helping poor people to effectively cope with climate change and the scarcity of natural resources, and reduce overexploitation of the few resources available to them.

Migration: Past NSP interventions have proved to reduce out-migration of families from villages. By addressing wide-spread disenchantment about Afghanistan's future prospects we also expect this action to reduce internal and possibly international displacement of people.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results
This proposal will contribute to the Jobs Focused Stimulus Initiative by supporting the ARTF - managed NSP.

The overall objective is to contribute to Afghanistan's socio-economic stabilization in a context of increased political fragility and economic crisis.

The specific objective is to stimulate aggregate demand and job creation with the following expected outcomes:

O1. Rural communities benefit from job opportunities contributing to agricultural and marketing infrastructure rehabilitation;

O2. Youth at risk (potential migrants or insurgency recruits) in vulnerable urban areas are integrated into a civilian conservation corps to fortify peripheries;

O3. Poor women, particularly female heads of households, benefit from micro-grants and from employment to maintain community public infrastructure.

The NSP bottom-up approach mobilises communities and facilitates transparent elections for membership in the village-level CDCs. Block grants to communities fund sub-projects that are identified through a participatory planning process and managed by the elected CDCs. Based on the current use being made by NSP of the equivalent of EUR 32.5 million that have been redirected to contribute to the initiative, an EU contribution of EUR 30 million would generate an estimated 4.8 million work days in 3,160 communities and would benefit 214,000 persons directly, or 1.5 million people in total when including dependants.

It is also worth noting that an impact evaluation conducted in 2011 found that NSP had reduced the out-migration of families from villages by about 10%. Based on this, it is expected that contributions to the above described outcomes will also contribute towards changing the perception among migration candidates about stable employment opportunities in Afghanistan.

1 http://www.nsp-ie.org/reports/finalreport.pdf
4.2 Main activities

NSP is currently being restructured to absorb the additional EUR 113.5 million brought by the EU, the UK, Germany and the USA. Twelve case studies have been launched that include ex-ante impact assessments and women mobility analyses in order to better define their role in the initiative. The following activities will be covered:

- **Rehabilitating agricultural and marketing infrastructure** – this component will use a demand driven approach which may include water resource management (irrigation, drainage, canals), road maintenance, markets rehabilitation, reforestation, field levelling to prepare farms for the coming year, or labour for horticultural crops. This action will provide block grants to CDCs that will be used through labour-intensive activities. It will build on the proven NSP architecture but on a restricted scale. At least 65% of costs will go to wages. Lead agencies would be the Ministry of Rehabilitation and Rural Development, the Ministry of Agriculture, Irrigation and Livestock and the Ministry of Public Works;

- **Fortifying urban peripheries** - trees planting (orchard establishment and maintenance, field preparation and linked activities), labour-intensive interventions for watersheds protection, and building a civic presence in the mountains around all of Afghanistan’s large cities. The hillsides around cities have become staging areas for insurgent attacks and supplies. Setting up a civilian conservation corps will employ large numbers of at risk youth who may otherwise consider out-migration or joining the insurgency, and provide security benefits for the vulnerable urban peripheries. Reclaiming these areas will also support the urban growth masterplan. The executing agency would be the Ministry of Public Works, with support from the Ministry of Agriculture, Irrigation and Livestock, the Ministry of Urban Development Affairs, and municipalities;

- **Micro-grants for female-heads of households** – to support livestock rearing as one of the most important on-farm job contributors, as well as handicraft production, and kitchen gardening. This action will provide support by using CDCs, cooperatives, and local merchant associations to reach poor women’s groups. Small grants will let women producers buy inputs and productive machinery such as green-houses, nurseries, or tools. In addition, government purchase of products produced by poor women will provide some cash injection as well as increase the value retained by producers. Poor women, particularly female heads of households, will also be given employment maintaining community public infrastructure.

The geographical focus will be nation-wide and CDCs will be selected based on unemployment levels, and minimum accessibility. Wages will be set just below market rate at an estimated EUR 3.2 for unskilled and EUR 7 for skilled workers per day.

4.3 Intervention logic

The requested support by the Government builds on previous similar programmes, today mainly through NSP and the Afghanistan Rural Access Project (ARAP). ARTF is currently being restructured to develop labour intensive activities in line with the objective of the initiative. In particular, support to the ARTF managed NSP is considered by the EU to be the best option as it is also fully aligned with MIP's Agriculture and Rural Development Sector's objective of improving rural food security, livelihoods and level of employment.

This support is in part motivated by the impact assessment of NSP's previous phase conducted in 2011 which showed that the infusion of block grant resources and completion on village
infrastructure projects provided mechanisms by which NSP had positive economic impact. Project construction channelled resources into villages, mainly through the payment of wages to labourers, but also through the procurement of raw materials which produced a short-term stimulus effect. In addition, the completion of effective infrastructure projects improved general economic outcomes. Improvements in irrigation for example, increased land use, agricultural productivity, yields, and thereby farm income. Durable improvements in road and bridge infrastructure reduced the cost of transporting goods to market, resulting in increased commercialisation of agricultural and non-agricultural sectors, and increased sales revenue. These effects increased household income and consumption, reduced the need for households to borrow for consumption purposes, improved perception of villagers of their economic situation and optimism about future economic changes, thereby possibly limiting incentives for migration.

So far, NSP has been using the EUR 32.5 million reoriented towards the Jobs Focused Stimulus Initiative by dedicating 70% to labour and 30% to materials and inputs needed for the rehabilitation of essential infrastructure. These actions target the 35% most food insecure families in 3,500 communities with the aim of providing 20 to 25 work days per household, corresponding to the equivalent of a two months food basket. 235,000 persons are benefiting from these labour intensive essential infrastructure rehabilitation actions, or 1,645,000 when including dependants.

On the basis of the already reallocated equivalent of EUR 32.5 million and scaling its impact up to the total activity volume of an equivalent EUR 126.7 million, it is expected that about 21 million work days will be generated in 13,700 communities countrywide benefitting about 930,000 people directly, and about 6,500,000 in total when including dependants, over a period of 30 months. This is equivalent to a two-month food basket per family, and it will contribute significantly in relieving the effects of the economic downturn. This would in turn be expected to reduce the current high levels of discontent among the population, and slow down out-migration.

The EU’s contribution of EUR 30 million would contribute to close to 25% of these results and expected impact, or about 4.8 million work days in 3,160 communities benefitting 214,000 persons directly or 1.5 million people in total when including dependants.

The EU will follow up with the NSP management team on ex-ante impact assessments, including social analyses of the beneficiaries to best adjust the programme. The EU will ask for employment effects on target groups to be particularly looked into so as to provide data on social/poverty and employment dynamics in the beneficiary communities, which could usefully complement the latest ALCS. An impact evaluation of the previous NSP phase conducted in 2011 already brings some significant indications, as it reports strong evidence that NSP improves how villagers perceive the local economic situation; beneficiary villagers reported that their household’s economic situation has improved in the previous year and expected local economic conditions to improve in the following year. This would tend to confirm that supported activities in the framework of this action will also contribute in changing the perception among migration candidates of low chances to find stable employment in Afghanistan.

The sustainability of this proposal is based on the successful implementation of the on-going Government’s comprehensive reform programme that is intended to reduce the fiscal gap, boost national productivity, improve governance, and ensure that growth is equitable, balanced, and gender-sensitive. The implementation of the government’s economy reform
agenda includes creating enabling conditions for trade, private and public investments such as electricity, connectivity, and water resource development.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 and 4.2 will be carried out and the corresponding contracts and agreements implemented, is 36 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements, such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

5.3.1 Indirect Management with an International Organization

This action will be implemented in indirect management with the World Bank in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the support to the ARTF - managed National Solidarity Programme (NSP) for stimulating aggregate demand and job creation. This implementation is justified because of the World Bank's experience as administrator of the ARTF and in delivering community grants through on-budget mechanisms. As the key implementer of NSP's successive phases since 2002, the World Bank has channelled on-budget almost 2.1 Billion USD in community grants going to 34,000 CDCs. Having been asked by President Ghani to streamline the different national agriculture and rural development programmes, the World Bank is also spearheading donors’ efforts to rationalize development assistance in the sector. As such, it is best positioned to channel funds within the broader sector-wide framework that is currently being established.

The entrusted entity would carry out the following budget implementation tasks: launch calls for tenders and for proposals; define eligibility, selection and award criteria; evaluate tenders and proposals; award grants, contracts and financial instruments; act as contracting authority concluding and managing contracts, carrying out payments.

For the budget-implementation tasks not yet assessed, the entrusted international organisations are currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. The Commission’s authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisations can be entrusted with budget-implementation tasks under indirect management.
5.3.2  Procurement (direct management)

<table>
<thead>
<tr>
<th>Subject in generic terms, if possible</th>
<th>Type (works, supplies, services)</th>
<th>Indicative number of contracts</th>
<th>Indicative trimester of launch of the procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation and Audit (5.8 / 5.9)</td>
<td>Services</td>
<td>1</td>
<td>1st trimester 2019</td>
</tr>
<tr>
<td>Communication and visibility (5.10)</td>
<td>Services/supplies</td>
<td>1</td>
<td>3rd trimester 2017</td>
</tr>
</tbody>
</table>

5.4  Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

5.5  Indicative budget

<table>
<thead>
<tr>
<th>Subject in generic terms, if possible</th>
<th>EU contribution (amount in EUR)</th>
<th>Indicative third party contribution in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.3.1 Indirect management with the World Bank</td>
<td>29 800 000</td>
<td>96 700 000</td>
</tr>
<tr>
<td>5.3.2 Evaluation, Audit</td>
<td>150 000</td>
<td>0</td>
</tr>
<tr>
<td>5.3.2 Communication and visibility</td>
<td>50 000</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>30 000 000</td>
<td>96 700 000</td>
</tr>
</tbody>
</table>

5.6  Organisational set-up and responsibilities

The ARTF was originally conceived as a multi-donor trust fund to support immediate stabilization and reconstruction needs in Afghanistan. The ARTF has since then evolved to become the main vehicle for multi-donor, on-budget support for the government’s national programmes reform agenda, fiscal sustainability and the prioritization and delivery of the national development strategy. Its three-tier governance framework is composed of a Steering Committee, a Management Committee and the World Bank as an Administrator.

The Steering Committee, co-chaired by the Ministry of Finance and the World Bank, consists of all 33 ARTF donors and sets the ARTF strategy. Steering Committee decisions are made on a consensus basis and are informed by ARTF working groups. The Steering Committee meets once every quarter in Kabul.

The Management Committee is responsible for implementing ARTF’s financing strategy, endorsed by ARTF Steering Committee. In practice, the Management Committee reviews and approves requests for financing based on their technical quality and alignment with the financing strategy. The Management Committee consists of the Ministry of Finance, the Asian Development Bank, the United Nations Development Programme, the Islamic
Development Bank and is chaired by the World Bank. The United Nations Assistance Mission in Afghanistan acts as an observer.

As an ARTF managed project, the organizational structure for the implementation of NSP consists of three levels of management. At the national level, the Ministry of Rehabilitation and Rural Development provides general oversight while day to day project management is performed by NSP’s Programme Management Office. At the provincial level, NSP outsources project implementation to Facilitating Partners (FP), both national and international. NSP also has Provincial Management Units that closely monitor FP performance. The FPs facilitate the mobilization of the target communities to form the CDCs and to provide them with technical guidance for the management of block grants and planning and implementation of the subprojects. At the village level, CDCs are established through whom community prioritized subprojects are implemented. The CDCs ensure that a high level of accountability and transparency is provided to the ultimate beneficiaries.

NSP’s successful institutional arrangements have recently been adjusted with special attention being given to further programme management decentralization, reduced role of international technical assistance, strengthened FP performance monitoring and implementation arrangements simplification. This also allowed to increase women involvement, adjust implementation in high risk areas, and perform some CDCs clustering.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

The EU will request for specific baseline surveys to be conducted by the implementing partner (the World Bank) in order to define baselines and targets for selected indicators (see indicative logframe matrix in the appendix). At the end of the intervention, final surveys will also need to be performed in order to retrieve the relevant data.

5.8 Evaluation

Having regard to the nature of the action, an ex-post evaluation will be carried out for this action or its components contracted by the Commission. It will be carried out for accountability and learning purposes at various levels (including for policy revision).

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner
country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded in March 2019. Besides this ex-post evaluation, the EU will rely on World Bank ARTF monitoring mechanisms in case a reorientation of the project.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Indicatively, one contract for visibility services shall be concluded in the first semester of 2017.
6  **APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)** (max. 2 pages, completed during identification and formulation)

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

<table>
<thead>
<tr>
<th>Results chain</th>
<th>Indicators</th>
<th>Baselines (incl. reference year)</th>
<th>Targets (incl. reference year)</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall objective</strong></td>
<td>Contribute to Afghanistan's socio-economic stabilization in a context of increased political fragility and economic crisis.</td>
<td>Number of permanent jobs created</td>
<td>0</td>
<td>To be determined by GIRoA economic strategy under definition By end 2017</td>
<td>ALCS(^2), WB monitoring reports</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Poverty rate</td>
<td>39.1% (ALCS 2013/2014)</td>
<td>&lt;39% (2017) (reversal negative trend)</td>
<td>ALCS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Proportion of households below minimum level of dietary energy consumption (*, ** EU RF level 1 # 10)</td>
<td>36% of households (ALCS 2013/2014)</td>
<td>Specific targets will be set by NSP during the inception phase</td>
<td>ALCS</td>
</tr>
</tbody>
</table>

\(^2\) ALCS: Afghanistan Living Conditions Survey 2013-14 implemented by the Central Statistics Organization (CSO) of the Government of the Islamic Republic of Afghanistan with technical assistance from ICON-Institute Public Sector Gmbh. The survey provides the majority of data disaggregated by sex.
**Specific objective**

<table>
<thead>
<tr>
<th>Outputs Outcome(s)³</th>
<th>Number of work days generated by the project activities (sex disaggregated)</th>
<th>0</th>
<th>4.8 million labor days created (by end 2017)</th>
<th>World Bank/NSP Reports</th>
<th>NSP is restructured to support labour intensive activities.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO1. Rural communities benefit from job opportunities contributing to agricultural and marketing infrastructure rehabilitation; through:</td>
<td>0</td>
<td>4.8 million labor days created (by end 2017)</td>
<td>World Bank/NSP Reports</td>
<td>NSP is restructured to support labour intensive activities.</td>
<td></td>
</tr>
<tr>
<td>- water resource management (irrigation, drainage); reforestation activities;</td>
<td>Number of work days created in targeted beneficiary communities</td>
<td>(0) 2016 Project preliminary survey for the targeted area of intervention in the inception phase</td>
<td>(0) 2016 Project preliminary survey for the targeted area of intervention in the inception phase</td>
<td>MRRD/NSP Progress Reports</td>
<td>MRRD/NSP Progress Reports</td>
</tr>
<tr>
<td>- field levelling to prepare farms for the coming year;</td>
<td>Ha of irrigated command area rehabilitated; ha of area reforested by end 2017 (** EU RF level 2 #6)</td>
<td>0</td>
<td>Specific targets will be set during the inception phase</td>
<td>MRRD/NSP Progress Reports</td>
<td>MRRD/NSP Progress Reports</td>
</tr>
<tr>
<td>- road and canal maintenance etc.</td>
<td>Ha of farm land prepared for agriculture production by end 2017</td>
<td>0</td>
<td>Specific targets will be set during the inception phase</td>
<td>MRRD/NSP Progress Reports</td>
<td>MRRD/NSP Progress Reports</td>
</tr>
<tr>
<td>SO2. At risk youth (potential migrants or insurgency recruits) in vulnerable urban peripheries are integrated into a civilian conservation corps to fortify urban</td>
<td>Km of road and meters of canals rehabilitated by end 2017 (** roads matching with EU RF level 2 # 26)</td>
<td>0</td>
<td>Specific targets will be set during the inception phase</td>
<td>MRRD/NSP Progress Reports</td>
<td>MRRD/NSP Progress Reports</td>
</tr>
<tr>
<td></td>
<td>Number of youth integrated into conservation corps (sex disaggregated)</td>
<td>(0) 2016 Project preliminary survey for the targeted area of intervention in the inception phase</td>
<td>Specific targets will be set by NSP during the inception phase</td>
<td>MRRD/NSP Progress Reports</td>
<td>MRRD/NSP Progress Reports</td>
</tr>
</tbody>
</table>

³ NSP approach is a bottom-up one. It mobilises communities and facilitates transparent elections based on adult franchise and secret ballot to elect members and form CDCs. Block grants to communities fund sub-projects that are identified through a participatory planning process and managed by the elected CDCs. The outputs, indicators, targets and baselines are indicative and will be updated precisely during the inception phase of the programme and restructuring of the NSP.

---

**Table:**

- **Specific objective:** Contribute to stimulate aggregate demand and job creation.
- **Number of work days generated by the project activities (sex disaggregated):** 0.
- **4.8 million labor days created (by end 2017):** World Bank/NSP Reports.
- **NSP is restructured to support labour intensive activities.**

**Outputs Outcome(s)³:**

- **SO1. Rural communities benefit from job opportunities contributing to agricultural and marketing infrastructure rehabilitation; through:**
  - water resource management (irrigation, drainage); reforestation activities;
  - field levelling to prepare farms for the coming year;
  - road and canal maintenance etc.

- **SO2. At risk youth (potential migrants or insurgency recruits) in vulnerable urban peripheries are integrated into a civilian conservation corps to fortify urban:**

**Notes:**

- (0) 2016 Project preliminary survey for the targeted area of intervention in the inception phase.
- Specific targets will be set during the inception phase.
- MRRD/NSP Progress Reports.
- Target communities remain accessible.

---

³ NSP approach is a bottom-up one. It mobilises communities and facilitates transparent elections based on adult franchise and secret ballot to elect members and form CDCs. Block grants to communities fund sub-projects that are identified through a participatory planning process and managed by the elected CDCs. The outputs, indicators, targets and baselines are indicative and will be updated precisely during the inception phase of the programme and restructuring of the NSP.
peripheries; through:

- trees planting;
- watersheds protection;
- building a civic presence in the periurban areas around all of Afghanistan’s large cities.

SO3. Poor women, particularly female heads of households, benefit from micro-grants and from employment to maintain community public infrastructure; to support:

- livestock rearing;
- handicrafts;

<table>
<thead>
<tr>
<th>Periphery Intervention</th>
<th>Targeted Area of Intervention</th>
<th>Specific Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of trees planted; ha of hills planted and protected by end 2017</td>
<td>0</td>
<td>Specific targets will be set by NSP during the inception phase</td>
</tr>
<tr>
<td>Ha of watershed in the urban peripheral, with a management plan by end 2017</td>
<td>0</td>
<td>Specific targets will be set by NSP during the inception phase</td>
</tr>
<tr>
<td>Number of people befitting of civilian conservation corps jobs by end 2017</td>
<td>0</td>
<td>Specific targets will be set by NSP during the inception phase</td>
</tr>
<tr>
<td>Number of micro-grants allocated to poor women</td>
<td>0</td>
<td>Specific targets will be set by NSP during the inception phase</td>
</tr>
<tr>
<td>Number of women provided with bird improved backyard layer or similar activities (beehive, sheep..) active by end 2017</td>
<td>0</td>
<td>Specific targets will be set by NSP during the inception phase</td>
</tr>
<tr>
<td>Number of women provided with training and/or kit producing handicrafts by end 2017</td>
<td>0</td>
<td>Specific targets will be set by NSP during the inception phase</td>
</tr>
</tbody>
</table>

(0) 2016 Project preliminary survey for the targeted area of intervention in the inception phase

MRRD/NSP Progress Reports

Target poor women remain accessible
| - kitchen gardening etc. | Number of kitchen gardens in target areas productive and sustained by end 2017 | 0 | Specific targets will be set by NSP during the inception phase |