

REVIEW OF THE AFGHANISTAN PROGRAM

FINAL VERSION

**EVALUATION DIVISION
PERFORMANCE AND KNOWLEDGE MANAGEMENT BRANCH
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Table of contents

Acronyms	i
Acknowledgements	iii
EXECUTIVE SUMMARY	v
1. INTRODUCTION	1
2. BACKGROUND	1
2.1 Program Context.....	1
2.1.1 Why is Canada in Afghanistan?	1
2.1.2 Level of CIDA Funding Commitments	2
2.1.3 Implementation Realities	3
2.2 Program Description: Objectives, Resources and Strategy	4
2.2.1 Program Objectives	4
2.2.2 Program Resources	5
2.2.3 Program Strategy	5
2.2.3.1 Choice of Investments and Partners	6
2.2.3.2 The Addition of Kandahar: A new Dimension.....	7
3. REVIEW OBJECTIVES, APPROACH AND LIMITATIONS	8
3.1 Objectives of the Review.....	8
3.2 Review Approach	8
3.3 Coverage and Sample of projects selected for Review	9
3.4 Review Criteria.....	10
3.5 Limitations of the Review	10
4. FINDINGS AND OBSERVATIONS	12
4.1 Results of Specific Initiatives	12
4.1.1 ARTF Operating Budget Support.....	12
4.1.2 National Solidarity Program (NSP).....	14
4.1.3 Microfinance Investment Support Facility for Afghanistan (MISFA)	19
4.1.4 National Area-based Development Program (NABDP) –Phase II.....	23
4.1.5 Mine Action National Development Budget	27
4.1.6 Support to Parliamentary Elections, and Provincial Councils.....	30
4.1.7 Support to the Establishment of the Afghan Legislature (SEAL)	33
4.1.8 Strengthening the Rule of Law in Afghanistan (SRLA)	34
4.1.9 Disarmament, Demobilization and Reintegration (DDR)	36
4.1.10 Afghanistan Stabilization Program (ASP).....	38
4.1.11 Support to the Development of Free Media In Afghanistan.....	38
4.1.12 Western Basins Water Resources Project.....	40
4.1.13 Equality between Women and Men.....	40
4.2 Use of Funds and Accountability Framework	43
4.2.1 Use of funds.....	43
4.2.2 General Accountability Framework	44

4.2.2.1	CIDA corporate accountability (audit and evaluation).....	44
4.2.2.2	Afghanistan Program Oversight	44
4.2.2.3	Oversight by Multilateral Partners.....	46
4.2.3	General Assessment of the Accountability Framework	49
5.0	OVERALL ASSESSMENT AND CONCLUSIONS	50
5.1	Program Management.....	50
5.2	Progress on Building a Stable State.....	51
5.3	Results at the Level of Initiatives	53
5.4	Accountability Framework and Use of Funds	55
6.0	IMPLEMENTATION CHALLENGES, LESSONS & RECOMMENDATIONS	56
6.1	Program Strategy	56
6.2	Choice of Initiatives and Partners (the National Program).....	58
6.3	Level of Human Resources (HR)	60
6.3.1	Improvements made in staffing	60
6.3.2	Areas for further improvement	61
6.3.3	Benchmarking of Human Resources and other support services	61
7.0	ANNEXES	65
	ANNEX 1 Summary of Afghanistan’s Risks, Constraints & Challenges	65
	ANNEX 2 CIDA’s disbursements to Afghanistan	66
	ANNEX 3 Benchmarking of human and other support services resources available to deliver Afghanistan, Iraq and Haiti Programs	67
	ANNEX 4 Persons interviewed	68
	ANNEX 5 Documents consulted.....	70
	ANNEX 6 List of Criteria used for Financial Accountability.....	73
	ANNEX 7 List of Donor Countries and Organizations for Afghanistan.....	74
	ANNEX 8 Management Response to the Review of the Afghanistan Program	75

Acronyms

ACRP	Afghanistan Community Renewal Program
ADB	Asian Development Bank
AEC	Agency Evaluation Committee
ANBP	Afghanistan New Beginnings Program
ANDS	Afghanistan National Development Strategy
ARTF	Afghanistan Reconstruction Trust Fund
ASP	Afghanistan Stabilization Program
BRAC	Bangladesh Rural Advancement Committee
CBS	Canadian Based Staff
CIDA	Canadian International Development Agency
CDCs	Community Development Councils
CDR	Combined Delivery Report
CGAP	Consultative Group for Assistance to the Poorest
CNTF	Counter Narcotics Trust Fund
CSC	Corrections Services Canada
3D	Defence, Diplomacy, Development
DAC	Development Assistance Committee
DDAs	District Development Assemblies
DDR	Demobilization, Disarmament and Reintegration
DFAIT	Department of Foreign Affairs and International Trade
DfID	Department for International Development (UK)
DIAG	Disbandment of Illegal Armed Groups
DND	Department of National Defence
FPs	Facilitating Partners
FY	Fiscal Year
GoA	Government of Afghanistan
HCR	Office of the United Nations High Commissioner for Refugees
HR	Human Resources
HQ	Headquarters
IALP	Integrated Alternative Livelihoods Project (Kandahar)
IDLO	International Development Law Organization (Rome)
IDP	Internally Displaced Persons
IEC	Independent Electoral Commission
IFI	International Financial Institutions
IMF	International Monetary Fund
IMPACS	Institute for Media Policy and Civil Society
JEMB	Joint Electoral Management Body
JEMBS	Joint Electoral Management Body Secretariat
LDCs	Least Developed Countries
LES	Local Engaged Staff (CIDA)
LFA	Logical Framework Analysis
LOTFA	Law and Order Trust Fund for Afghanistan
MA	Monitoring Agent
MAPA	United Nations Mine Action Program for Afghanistan

MCN	Ministry of Counter Narcotics (GoA)
MEW	Ministry of Energy and Water
MFIs	Micro Finance Institutions
MISFA	Microfinance Investment Support Facility for Afghanistan
MoF	Ministry of Finance (GoA)
MoJ	Ministry of Justice (GoA)
MoI	Ministry of the Interior (GoA)
MOWA	Ministry of Women’s Affairs
MRE	Mine Risk Education
MRRD	Ministry for Rural Rehabilitation and Development (GoA)
NABDP	National Area-Based Development Program
NGO	Non-governmental Organization
NPSO	National Program Support Office
NSP	National Solidarity Program
OC	Oversight Consultant
ODA	Official Development Assistance
PAD	Project Approval Document
PKMB	Performance and Knowledge Management Branch (CIDA)
PRC	Program Review Committee (CIDA)
PRSP	Poverty Reduction Strategy Paper
PRT	Provincial Reconstruction Team
PSU	Program Support Unit (CIDA)
PWGSC	Public Works and Government Services Canada
R&D	Rights and Democracy
RAU	Result and Accountability Unit (CIDA)
RBM	Results-based management
RCMP	Royal Canadian Mounted Police
RRMAF	Results and Risk Management and Accountability Framework
SEAL	Support to the Establishment of the Afghanistan Parliament
SRLA	Strengthening the Rule of Law in Afghanistan
TBS	Treasury Board Secretariat
UN	United Nations
UNAMA	United Nations Assistance Mission to Afghanistan
UNDP	United Nations Development Program
UNMACA	United Nations Mine Action Center for Afghanistan
UNMAS	United Nations Mine Action Service
UNODC	United Nations Office on Drugs and Crime
WB	World Bank
WRAF	Women’s Rights Fund Afghanistan

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This Review drew heavily on a range of documentation from different sources. Our appreciation also goes out to the various organizations, partners and individuals who authored these documents and shared them with us. We have tried to avoid any misrepresentation of information, views or judgements contained therein and so apologize beforehand should there be any such unintentional instances.

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EXECUTIVE SUMMARY

1. Background

Afghanistan is one of the world's poorest nations. Most Afghans lack the basic services and necessities. Years of war and destruction left much of the country's infrastructure - roads, bridges, schools, health clinics, and sources of electrical power, and water management systems – in shambles. By the end of 2001, the state's legitimacy had been damaged by military coups, the capture of the state by armed commanders, and attempts to use a weak state to transform society by force and violence. In the aftermath of September 11, 2001, the world's attention turned to Afghanistan as a focal point for global security. International support galvanized around the need for Afghanistan to recover from its status as a failed state, so as to never again become a breeding ground for terrorism that would threaten the world.

In a series of 5 international conferences, beginning with the first in Bonn in December 2001, Tokyo in January 2002, Brussels in 2003, Berlin in 2004, and London in 2006 the international community, including Canada (see *Annex 7* for list of 43 donors), made specific commitments and pledged substantial financial resources for the reconstruction and development of Afghanistan. To put the Canadian support in perspective with the broader effort of the international community, it was estimated in 2004 that “to make Afghanistan secure and enable its people to live in a typically underdeveloped country, US\$ 27.6 billion dollars would need to be committed over seven years”¹. This means an average of roughly US \$4 billion per year. Canada's total allocation to Afghanistan over the 2001 to 2011 period stands at \$1.12 billion.

The Afghanistan Program is CIDA's most important Program in terms of its magnitude, complexity, visibility, and challenges. These challenges derive from a formidable combination of risks in areas such as: the security situation, weak governance systems, widespread concerns of corruption, limited Afghan institutional capacity for financial administration and risk management, and significant absorptive capacity constraints within the Government of Afghanistan. *Annex 1* of this report provides more information on the risks, constraints and challenges faced by the CIDA Program on a daily basis.

One illustration of how these risks impact on the development efforts of CIDA and the international community comes from the omnipresent and high level of security risk throughout the country, and especially in the southern provinces, such as Kandahar. Insurgent attacks have, in some cases, slowed and prevented, programming and monitoring thereby resulting in loss of efficiency and higher accountability risk. Some international partners have left the country due to the high level of insecurity and their inability to cope with the situation. The security situation has a tremendous impact on CIDA's (and its partners') ability to attract and maintain adequate level of experienced human resources in Afghanistan. The stress level in this insecure environment leads to short rotation assignments and frequent staff changes, which increases the difficulty for recruitment. In addition, their ability to implement and monitor CIDA's initiatives is constantly hampered by the fact that

¹ The Afghanistan Compact, the London Conference on Afghanistan, 31 January–1 February 2006, p.13.

they have to comply with movement restrictions and military clearance due to the high level of insecurity.

The context and challenges of Afghanistan, a state in reconstruction after many decades of war, called for a different Agency strategy: simultaneously building the foundation of the country at the national, regional and grassroots levels while providing a secure environment. This is a unique situation, requiring Canadian engagement in terms of Development, Diplomacy and Defence / military at the same time (i.e. the “3D approach”). CIDA is working closely with the Departments of National Defence (DND) and Foreign Affairs and International Trade (DFAIT). This is a new way of operating for CIDA.

This state of affairs impacts the speed at which Afghanistan is re-built, CIDA’s ability to control the implementation of Aid delivery and CIDA’s image vis-à-vis the Afghans and the Canadian public. In order to be more effective and efficient in its aid delivery, the international community, including CIDA, committed to pool their resources and work together through the same international partners such as the World Bank and the United Nations Organizations, which have experience in fragile states and the necessary on-site ‘infrastructure’ to operate. This strategy has the advantages of reducing the risks and avoiding duplication of efforts amongst donors. This approach is also considered crucial to support the nascent Afghanistan government to have a degree of predictability of funding and to gain the confidence of the Afghan population in the context of this new democracy.

2. Rationale for the Review

This Review was conducted to respond to CIDA management needs to review and monitor this high profile Program in terms of the magnitude of its investment and associated risks as well as to satisfy the requirement of the Canadian Government. The Agency must submit a report on the results of the Afghanistan Program to the Treasury Board Secretariat of Canada. Given the high profile of and the intense public interest in the Afghanistan Program, the Review also provides information about the accountability and use of the funds provided to the Program.

3. Review Objectives, Approach and Limitations

The objectives of the Review are to:

- a) assess performance in terms of progress made towards the achievement of the stated results of the Afghanistan Program;
- b) determine if the results are contributing to the development of a legitimate and stable state, which is the longer-term aim of CIDA’s support to Afghanistan;
- c) assess the adequacy of the accountability framework to ensure that the funds are properly managed and spent for intended purposes; and
- d) provide lessons and recommendations to improve the Program.

The Review covers a period of almost three fiscal years, from April 1, 2004 to the end of January 2007. Significant disbursements were still underway and planned for February and March 2007. It should be noted that the Review, initially planned for fiscal year 2005-06, was postponed to fiscal year 2006-07 for two reasons: firstly, most of the initiatives were too recent to assess development results at the outcome level; and secondly, the security constraints were a major issue at that time. The Agency Audit Committee also approved a multi-year audit plan to 2007 to 2010 in April 2007. This plan includes an examination of the Afghanistan Program, encompassing disbursements on the Kandahar component.

With regard to this Review, twelve of the largest among the 27 projects in CIDA's Program were examined in detail. These 12 projects account for 83 % in terms of the Program budget and roughly 73% of the \$285 million spent during the period. They covered the variety and complexity of challenges, different delivery mechanisms, and thematic areas of focus. The Review did not cover initiatives in Kandahar as these only started in 2006 and it was too early to formally assess results. CIDA has disbursed over \$39 million in Kandahar for fiscal year 2006-2007. These recent initiatives will be covered in the up-coming audit mentioned above.

Information for the Review was derived from both primary sources (interviews with an extensive range of relevant and knowledgeable persons) and secondary sources (documents such as existing evaluation, audit and monitoring reports produced by CIDA, other donors, the World Bank, UN organizations, Government of Afghanistan, and other independent international research institutions). The Review team did not undertake any field visits. Instead, it draws indirectly on many field visits undertaken by others whose evaluations, audits, monitoring and other reports serve as a credible basis for this Review.

4. Overall Findings and Results

For most of the projects examined, CIDA is one of many donors, albeit an important one. As agreed in high level Consultative Group meetings between the Government of Afghanistan (GoA) and donor countries starting in 2001, CIDA has coordinated and "pooled" most of its funding with other donors to support the GoA's national programs and efforts. As the results below indicate, the joint, "pooled" approach is an effective way of achieving results in Afghanistan. One can assume that a commensurate proportion of the outcome is due to the Canadian contribution, particularly since CIDA is one of the leading financial contributors on several of the projects.

4.1 Progress on Building a Stable State

The overall goal of the Afghanistan Program is to support the efforts of the Afghan government, the Afghan people and the international community in stabilizing Afghanistan through the consolidation of the GoA's authority and legitimacy across the nation, and through improvements in the people's well being.

The Review Team recognizes that Afghanistan is still in the very early stages of the process of building a democratic, functional and stable state, where the population has confidence and trust in the government and where the government, in turn, can provide the services needed by its people to improve their well being needed to uphold and sustain this confidence and trust. However, there are encouraging early signs of progress in this direction:

- A 2006 national survey² of the views of Afghans about their country reveals a complex mix of both positive and pessimistic perceptions, some progress, some decline in progress, and overall a frankness that identifies challenges for both the government and donors.
- Among Afghans surveyed, twice as many (44%) felt their country was heading in the right direction compared with those who felt the opposite (21 %). For those who said the country was heading in the right direction, the main factors were: good security; peace/end of war, and disarmament. More than half (54 %) of the respondents felt that their family was more “prosperous” under the current regime than under the previous Taliban regime.

A big part of the credit has to go to the people and government of Afghanistan, whose ownership, leadership, and commitment to work with the international community to implement initiatives in a financially accountable and responsible manner was key. Credit also has to go to the assistance provided by the international community, which has provided roughly 90% of the development resources needed, with Canada contributing a significant part of these resources.

The quality of this assistance and its contributions to the longer term objective of state building in Afghanistan, (the essential objective of CIDA, other donors and the GoA), can be illustrated by some of the major projects in terms of their relevance, form, reach, and results as indicated below:

- **Relevance:** most of the assistance has been consistent with the needs of Afghanistan, as articulated in the Afghan National Development Strategy (ANDS) and the Afghanistan Compact. Investments in areas such as elections support, micro finance, improved governance, community development and others are critical to help move Afghanistan towards a stable state.
- **Form:** most of the assistance has been provided in a form that allows the GoA to make good use of it in terms of strengthening the capacity of the national government machinery while providing the necessary services to its people. Operating Budget Support through the Afghanistan Reconstruction Trust Fund (ARTF), the National Solidarity Program (NSP), the Micro-finance Investment Support Facility (MISFA) and National Area-based Development Program (NABDP) are all projects that are or were implemented by GoA ministries. The Ministry of Finance is centrally involved in all of these projects. The MRRD currently implements NSP and NABDP, and originally implemented MISFA before it was set up as an independent company in mid 2006.

² The Asia Foundation (assisted by AC Nielsen India and others), “Afghanistan in 2006: A survey of the Afghan People”, 2006.

- **Reach:** most of the initiatives supported are national in scope, reaching many of the 34 provinces. They also reach the district and community levels. For example, Budgetary Support to the GoA through the ARTF reached the national and local levels; MISFA reaches the national and local level financial institutions; NSP operates at the community level; and the NABDP addresses the provincial and district levels.
- **Results:** examples of the results being achieved by the specific initiatives are outlined in the section 4.2 below.

4.2 Results at the Level of Initiatives

Although many of the investments of the CIDA Afghanistan Program are fairly recent and some are still ongoing, significant progress is being made towards the achievement of their objectives. Among the 8 largest projects, which accounted for \$192 million, or 67 % of the \$285 million disbursed by CIDA during the period covered by the Review, 6 have significantly improved people's lives. One, the Afghanistan Stabilization Program, designed to improve the operations of provincial and district government, has been less successful and CIDA took action to reallocate the funds to more successful projects. The eighth, the Western Basin Water Resources Project, was slow getting off the ground and is just starting.

More detailed information about the results of these projects are included in section 4 of this report. Highlights of results include:

- The Afghanistan Reconstruction Trust Fund (ARTF), as a mechanism for providing Operating Budgetary Support to the GoA, has emerged as one of the key instruments for financing the country's recurrent budget deficit until the GoA develops the capacity to do so. It supports the state at the national level in establishing its ability to fund public servant salaries down to the district level to deliver services and gradually develop associated management capacity. Results to date indicate that the GoA is heading in the right direction with an increasing capacity to meet its recurrent budget - revenue collection for fiscal year 2005-06 was 55% above the previous year.
- The Microfinance Investment Support Facility for Afghanistan (MISFA), in which CIDA is the leading contributor among 5 donors with \$37.0 million or 47.0% of the paid-in contributions (as of January, 2007), has established financially sustainable Micro Finance Institutions (MFIs) and provided credit and savings services to approximately 300,000 people, 72% of whom are women. This would appear to be on target to reach the GoA objective of 800,000 households by 2010. While the reach of the MFIs is limited beyond Kabul and other urban areas, this program has been very successful in establishing independent financial institutions that are essential to livelihoods and effective governance.
- The National Solidarity Program (NSP), in which CIDA is the second ranked contributor among donors, is the GoA's flagship program for strengthening community development, local governance, citizen participation and GoA legitimacy and credibility. It has created over 17,000 elected Community Development Councils (CDCs), which include women as members. It has reached more than 11.5 million people through community projects in 274 districts across most of the 34 provinces. The NSP is essentially grassroots

democracy in action, fostering local empowerment and ownership. It demonstrates that the state is actively involved in addressing needs at the community.

- The National Area-Based Development Program (NABDP), which is a government of Afghanistan program, is beginning to develop the capacity at the provincial and district levels to serve broader regional needs, thus bridging the large gap between the central and community levels of governance. Some progress is reported at the district level; provincial level progress is much slower.
- The Elections Support Project helped to facilitate the participation of Afghan citizens and civil society in both Parliamentary and Provincial Council elections, witnessed by national and international observers. About 5,800 candidates (582 women) stood for election and 6.8 million persons voted (51.5% turnout, 43% women).
- The Mine Action Project succeeded in removing and destroying significant amounts of anti-personnel mines, reducing the numbers of mine-related deaths, and cleared significant areas of land which were previously unusable.
- Due to poor performance of the Afghanistan Stabilization Program (ASP), the World Bank decided to withdraw its support from it. After exercising its own due diligence, CIDA also decided to "terminate " its association with it and reallocate the \$12 million that was intended for ASP to other better performing initiatives such as MISFA and NSP.

Among the remaining 19 smaller projects, some have had good results while others have had mixed results:

- Projects with good results include: support to hold presidential elections, de-mining, and collecting and containing heavy weapons in a safe location.
- Those with weak results include the establishment of radio stations to provide literacy and educational services, and technical assistance to government ministries.
- More complex and challenging projects such as judicial reform, reintegrating former combatants, and developing the capacity of parliament have been slow in showing results.

4.3 Accountability Framework and Use of Funds

A good Accountability and Management Framework, with appropriate oversight mechanisms, exists to enable the Afghanistan Program to exercise its due diligence up front and during implementation to ensure that funds are used for the intended purposes. These oversight mechanisms exist at three levels: within CIDA, at the level of our multilateral partner institutions; and at the Donor/Partner Country level.

Based on information received and documents examined during the Review, our analysis confirmed the use of these by the Afghanistan Program. Our analysis also confirmed that Program funds were used for intended purposes as outlined in the Results and Risk Management and Accountability Framework (RRMAF). Indeed, based on the March 2004 notional allocation, and analysis of financial and activity reports submitted by the World Bank, United Nations Organizations, CIDA monitoring reports and Joint donor evaluation reports, we are able to conclude that the Afghanistan funds were generally spent for intended

purposes. Audit reports from the Auditor General of Afghanistan attested to the fairness of information presented in the financial statements produced by implementing partners.

Even so, the Review Team identified the need for improvements in monitoring and reporting by some partners. While most partners were able to provide the information required by CIDA to assess the use of funds and results achieved, the quality and timeliness of reporting by some UN partners is an area that requires attention. In addition, CIDA staff need to ensure that the reporting requirements in agreements with partners are respected.

With regard to risk management in an environment where potential corruption is a major concern, the management capacity of the partner government is limited and threats to personal security are always a factor, mitigation actions were taken by the Program to minimize these risks. For example, financial risks were minimized by working in conjunction with other donors to channel most of the funds through multilateral organizations that have good track record and infrastructure on the ground, and operational risks were mitigated by working closely with DFAIT and the Department of National Defence (DND), adhering to security measures and standard operating security procedures to protect CIDA's field staff and its partners.

With respect to other management aspects, the CIDA Program has demonstrated good flexibility in adjusting to the changing situation and needs of Afghanistan. More recently, the addition of the Kandahar component fills a gap at the provincial level that was not being addressed by the national programs. CIDA's efforts are intended to help support the roll out of the GoA's national programs to Kandahar. As the findings from previous evaluations show, project-based funding when used selectively can effectively complement and reach areas and groups of people that are "hard to reach" through national programs for reasons of remoteness or special needs.

CIDA staff has, for the most part, made good investment decisions on the choice of initiatives and implementing partners. In such a complex, high-risk environment, the Program has a good mix of national multi-donor initiatives through the World Bank / United Nations Development Program (WB/UNDP), complemented with some smaller bilaterally directed initiatives funded through Canadian and international non-state actors. Given the significant variation in the capabilities of the Afghan ministries to deliver development to the people, CIDA has invested most of its resources in projects involving the better performing ministries. In the cases where the investments were not performing, Program staff have taken the necessary corrective action, such as stopping disbursement and /or re-investing the funds in better performing initiatives.

Given the high profile of Canada's involvement in Afghanistan, there has been a very high level of interest among Canadians in the Program. With the growth of funding through CIDA, staff on the CIDA Afghanistan Program have been spending a significant portion of their time focusing on meeting the demand for information from various sources. As the Program was already under resourced, this was a real challenge: it further reduced the amount of time that staff had to devote to the substance of development programming, including monitoring progress.

5. Risks, Challenges, Lessons and Recommendations

This is not to say that all is well. Afghanistan is a nascent democracy, and there are significant risks and challenges ahead. In the survey responses, Afghans identified the biggest problems at the national level as security, unemployment, the poor economy, the presence of the Taliban, and Warlords. When asked about concerns of corruption, 77 % saw it as a major problem at the national as well as the provincial and lower levels.

In terms of state building, the building of sustainable local capacity within the various government ministries will continue to be a major long-term challenge, as many of the ministries are dependent on substantial expatriate technical assistance, including the returnee Afghan diaspora. There are issues relating to inequities and “fairness” of the salaries paid to foreign and Afghan returnees, compared to the salaries of average public servants.

5.1 Risk Management Lessons

Given the challenges faced by the Program, several risk management lessons are worthy of note:

- In a rapidly evolving, unstable environment, it is important for CIDA to maintain flexibility in its program strategy to be able to react quickly to unforeseen events and/or take advantage of emerging opportunities;
- In such an environment, where not every initiative will succeed, it is also important to be realistic in our expectations and have a level of risk tolerance that allows for trial and error;
- The Afghanistan experience highlights the importance for the Program to continue to coordinate and harmonize efforts with other Federal Departments [Department of Foreign Affairs and International Trade (DFAIT), DND, Royal Canadian Mounted Police (RCMP) and Corrections Services Canada (CSC)] and international and multilateral partners in order to manage the very significant risks related to security, program operations and achievement of results;
- The fact that even experienced partners do not always succeed makes it important to limit the extent to which novice organizations without experience in such insecure environments are chosen as partners to implement initiatives;
- With a flexible strategy, due diligence takes on even more importance. In addition to clear selection criteria up front for the choice of implementing partners, it is important to monitor progress closely during implementation, even when well-known, experienced international partners such as Multilateral Organizations are involved; and
- On the one hand, challenging Programs such as Afghanistan need the best, most experienced staff. On the other hand, the high security risks, short staff rotation, stressful living conditions in field in Afghanistan, and overseas allowances that are the same as those for safer countries make it very difficult to recruit and retain staff. Therefore, an adequate incentive package is a critical success factor with regard to staffing field personnel in fragile states or states in crisis.

5.2 Recommendations

The Review offers the following Recommendations:

Recommendation 1: (the need to strengthen monitoring and oversight)

a) CIDA reporting requirements were noted in existing agreements with partners. In order to allow Program staff to effectively monitor the initiatives implemented by its partners, the Program should ensure that the Agency's reporting requirements, with regard to financial information and progress on development results, are more clearly reflected in the agreements with its partners, and respected. In the case of multi-donor arrangements, such as with the Multilateral Organizations, CIDA will need to work with the other donors to ensure this happens.

b) In order to strengthen accountability for results and support knowledge building for future programming and decision making, monitoring activities performed by CIDA field and Headquarters (HQ) staff should be documented on a more systematic basis and include clear indications on progress, variance analysis of expenditures and development results on a cumulative basis, identification of issues, lessons learned and follow-up actions taken. The Program may also want to consider providing staff with appropriate training in this area as needed.

Recommendation 2: (improve results tracking and reporting)

The recently created "Results and Accountability Unit" (RAU) at HQ needs to be fully operationalized to ensure the enhancement of the Results-Based Management (RBM) framework of the Program to allow management to improve its reporting of development results and knowledge sharing. This Unit would analyse the data and the information outlined in monitoring, evaluation and audit reports in order to extract results at the different levels (i.e. output, outcome and impact), lessons learned and actions to be taken for their integration into the programming cycle.

Recommendation 3 (strengthen field operations)

CIDA should strengthen its operations in the field in the following three areas:

a) Number of staff in the field

The Agency should give consideration to increasing the number of staff in Afghanistan in order to cope with the challenges and required level of effort needed to more effectively manage the Program (e.g. intelligence gathering, analysis, monitoring, various pro-active and follow-up actions and the numerous meetings with Donors representatives and GoA officials in the field).

b) A Better Incentive Package for Field Staff

CIDA should explore with DFAIT, TBS and other central agencies, as appropriate, options to enhance the field compensation package allowed by the Foreign Service Directives (FSD) in order to provide an enhanced incentive package (accommodation, overseas allowances, home

leave, etc.), which better reflects the relative hardship level and security risks that staff face in countries of conflict/crisis such as Afghanistan. This would enable the Program to attract, hire and retain high quality experienced staff with the right profile.

c) Program Support Unit (PSU)

The PSU should be operationalized on a priority basis to provide the necessary assistance to the CIDA Program to implement its strategy in the most optimal manner. The roles and responsibilities of this unit (e.g. on site intelligence gathering, monitoring, sector analysis, data collection to establish base lines, logistical and administrative support, etc.) should be clearly defined.

1. INTRODUCTION

In March 2005, CIDA obtained additional authorities for a number of grants totaling up to C\$350 million for its Program in Afghanistan. This Review responds to a Government of Canada requirement to provide a report on results to date, including the results of evaluations by CIDA and other international assessments in order to inform the Treasury Board Secretariat. It will also provide information to address the interests of the Canadian public, Parliamentarians and other stakeholders. The Review was led by the Evaluation Division, Performance Knowledge Management Branch (PKMB) of CIDA, which is responsible for conducting independent reviews and evaluations of Agency's programs and policies in accordance with the Agency's and Treasury Board Secretariat's Evaluation Policy.

2. BACKGROUND

2.1 Program Context

2.1.1 Why is Canada in Afghanistan?

In February 2005, Afghanistan ranked as the world's seventh-poorest nation. Its poverty is deeply entrenched. Even before the 1979 Soviet invasion, the country's development indicators were very low. Most Afghans lack basic needs and live in poverty.

The Afghan people have demonstrated remarkable bravery and resilience, first to repel the Soviet invasion and then to survive over two decades of civil war and destruction that followed. By the end of 2001, when the Interim Authority of Afghanistan was inaugurated, the state's legitimacy had been damaged by military coups, the capture of the state by armed commanders, and attempts to use a weak state to transform society by force and violence. Persecution, killings, arrests and exodus had already lowered the small number of skilled administrators and undermined the state's capacity. Wars and civil disorder killed over a million Afghans; made over a million others disabled or orphaned; devastated the villages where most of the population lived; and forced about a third of the population into exile as refugees, causing a two-decade long brain-drain which saw much of the country's educated class in exile.

Much of the country's infrastructure was also left in shambles. Roads, bridges, schools, health clinics, and sources of electrical power were destroyed, as were water management systems and agricultural land. Afghanistan is highly dependent on agriculture: an estimated 80 percent of the population lives in rural areas. By 2001, agricultural production had decreased by 50 percent compared to 1979. International drug traffickers had struck deals with the power holders of the time in Afghanistan to start opium production and processing, which served to enrich and entrench criminals and illicit armed groups that reigned over most of the country.

In the aftermath of September 11, 2001, the world's attention turned to Afghanistan as a focal point for global security. International support galvanized around the need for

Afghanistan to recover from its status as a failed state, so as to never again become a breeding ground for terrorism that would threaten the world.

In a series of international conferences, beginning with the first in Bonn in December 2001 and then in Tokyo in January 2002, Brussels in 2003, Berlin in 2004, and London in 2006 the international community pledged substantial financial resources for the reconstruction and development of Afghanistan.

The Conference in Bonn provided a framework for the international community to help Afghanistan create a legitimate state. The Bonn Agreement, which was a pact among Afghans to be monitored and assisted by the UN, established a series of undertakings which Afghanistan has subsequently satisfied: the current Constitution of Afghanistan was adopted January 4, 2004 by a consensus decision at the constitutional National Assembly; Presidential elections were held October 9, 2004 (as mandated by the Constitution) and resulted in the election of Hamid Karzai as President of Afghanistan; Legislative elections for the Upper and Lower Houses of the National Assembly were held September 18, 2005; and, after validation of the results, the new parliament was officially sworn in December 19, 2005.

Soon thereafter, there was the London Conference of 31 January-1 February, 2006, which endorsed the Afghanistan Compact. Unlike the Bonn Agreement, the Afghanistan Compact, agreed upon by participants (including Canada), is a political commitment of both the international community and Afghanistan reaffirming their shared commitments to continue, in the spirit of the Bonn, Tokyo and Berlin conferences, to work toward a stable and prosperous Afghanistan. The Compact sets out a series of 5-year high-level outcomes, benchmarks and timelines for delivery in three pillars: a) Security; b) Governance, Rule of Law and Human Rights; and c) Economic and Social Development. These are to be implemented by the GoA through the Afghanistan National Development Strategy (ANDS). The latter can be considered the Afghanistan equivalent of a Poverty Reduction Strategy Paper (PRSP) – a World Bank and International Monetary Fund (IMF) requirement for accessing debt relief and concessional loans. The Compact also established an oversight mechanism, a Joint Coordination and Monitoring Board (JCMB), for the implementation of the political commitments that comprise the Compact.

2.1.2 Level of CIDA Funding Commitments

In the years before September 11, 2001, Canada had channelled nearly \$150 million (approximately \$10 million per year) in humanitarian assistance through Canadian and local NGOs and multilateral institutions. Immediately following September 11, 2001, CIDA allocated \$16.5 million, mainly for emergency humanitarian assistance.

Since the Tokyo Conference in January 2002, Afghanistan has been the single largest recipient of Canadian bilateral aid. At the Tokyo Conference, Canada pledged \$100 million in humanitarian and reconstruction assistance for that year. In March 2003 in Brussels, an additional \$250 million was committed for 2003 and 2004. In March 2004 (Berlin Conference), Canada pledged \$250 million for the reconstruction and development of Afghanistan for fiscal years 2005/06 to 2008/09. The profile for these funds was as follows:

\$100M 2005/06; \$60M 2006/07; \$50M 2007/08; and \$40M 2008/09. In March 2006, CIDA allocated an additional \$40 million to Afghanistan, maintaining the current funding level at \$100 million for 2006/07. In May 2006, the Prime Minister announced a further \$310 million in development funding to Afghanistan for the period from 2007/08 to 2010/11, which will maintain CIDA's allocation at \$100 million per year through to 2010/11. Finally, on February 26, 2007 the Prime Minister announced a supplementary \$200 million in development funding over the next two years. Therefore, Canada's total allocation to Afghanistan over the 2001 to 2011 period stands at \$1.12 billion.

To put the Canadian support in perspective with the broader effort of the international community, it was estimated in 2004 that “to make Afghanistan secure and enable its people to live in a typically underdeveloped country, US\$ 27.6 billion dollars would need to be committed over seven years”³. This means an average of roughly US \$4 billion per year for the next 5 years.

2.1.3 Implementation Realities

The Afghanistan Program is CIDA’s most important Program in terms of its magnitude, complexity, visibility and challenges. One of these challenges is the omnipresent insecurity aspect in this country, which has an impact on CIDA staff and partners in the course of their duties. Their ability to move about in Afghanistan is quite limited and subject to military and security authorities. Missions from CIDA HQ have been limited because of the security risks. The applicability of life insurance for staff (including disability insurance) is also a pending issue that concerns field and visiting staff. The communications between the field and CIDA HQ is also a constraint due to the 9.5 hours time difference and often unreliable connections.

The stress level in this insecure environment also has an impact on the staff turn over and the difficulty to recruit experienced staff. In addition, ongoing insurgent attacks and coalition operations have slowed and in some cases, prevented programming thereby resulting in loss of efficiency and higher accountability risks. Some international partners (e.g. Doctors without Borders) have left the country due to insecurity. *Annex I* provides pertinent information about the above-mentioned challenges in terms of insecurity, absorptive capacity, governance, Canadian capacity, financial administration and risk management.

The country is still in a state of reconstruction and “post conflict recovery”. As the Presidential Speech at the Opening of the Afghan National Assembly in December 2005 put it, “When the Interim Administration was established, the state system was in a complete state of disarray. The political, economic, social and cultural infrastructure of the country was totally destroyed. Different parts of the country were ruled by various armed factions and had their own styles of administration. The [National] Administration system was dismantled. Roads were in a state of disrepair. There were no health services and the status of education system was of most concern. The government treasury was empty and public funds and property had lost their value. In such a worrying situation, the Interim Administration took control of political leadership.”

³ The Afghanistan Compact, the London Conference on Afghanistan, 31 January–1 February, 2006, p.13.

For the period covered by the Review (April 2004 – January 2007): governance systems are weak – there is a lack of infrastructure at all levels; institutions across the country are generally weak; absorptive capacity is limited; and insecurity is a major determining factor in being able to capitalize on reconstruction and development opportunities.

In short, the Afghanistan Program is being managed within a context of high operational risks, which impose significant challenges and constraints.

2.2 Program Description: Objectives, Resources and Strategy

2.2.1 Program Objectives

Consistent with the needs of Afghanistan, the objectives of the CIDA Afghanistan Program, as outlined in the Risk and Results Management Accountability Framework (RRMAF), are two-fold:

1. To support the efforts of the GoA to lay the foundations for a secure country. (Premise: Security leads to development), and
2. To support the efforts of the citizens of Afghanistan to lay the foundations for a prosperous country. (Premise: Development leads to security)

The overall goal of the Afghanistan Program is to support the efforts of the Afghan government, the Afghan people and the international community in stabilizing Afghanistan through the consolidation of the GoA's authority and legitimacy across the nation and through improvements in the people's well being.

With the needs of Afghanistan being so extensive, the priorities (as laid out in *CIDA's Interim Assistance Plan for Afghanistan, 2003-2005*) of Canadian Official Development Assistance (ODA) to Afghanistan were focused on:

- Rural Livelihoods and Social Protection: to support sustainable rural livelihoods for Afghan families and increased access to social services through improved governance and community-driven development.
- Security and Rule of Law: to contribute to the restoration of a secure environment for reconstruction and development, through peace building, de-mining, legal and judicial reform, and the strengthening of democratic institutions.
- Natural Resources Management: to improve food security and standards of living for Afghan citizens through rehabilitation and development of agriculture and the sustainable use of natural resources, including water.
- Furthermore, CIDA seeks to empower the GoA by providing it with Core Budgetary Funding⁴ through the World Bank's Afghanistan Trust Fund (ARTF). Canada through various international meetings between Canadian and Afghan officials, has committed to channel approximately 25 percent of its assistance to GoA budget operations.

⁴ In May 2006, the label of this Program priority was changed to "Democratic Development and Effective Governance", which is related to budgetary support for recurrent costs of GoA, as stated in CIDA's new Afghanistan Strategy framework.

2.2.2 Program Resources

Financial Resources

In terms of financial resources devoted to the Program, CIDA's support to Afghanistan since the earliest stage of its transition averaged approximately C\$100 million per year. During the slightly less than three fiscal years covered by the Review, CIDA disbursed C\$285.0 million (see *Annex 2*).

Human Resources (HR) and other support services

In terms of core staff resources to plan, implement and control the Program, the number of FTEs (Full Time Staff Equivalent) dedicated to the Program in FY 2004-05 was 9.95 (i.e.: 5.95 at Headquarters in Gatineau and 2 Canadian-Based Staff (CBS) at the High Commission in Kabul, supported by 2 Locally Engaged Staff (LES)). The core staff were supported by 4 professionals on contract in the Program Support Unit (PSU) in Kabul, and by 2.6 FTEs at CIDA HQ providing related advice and support in areas such as financial management, contracting and sectoral matters. The level of HR increased during FYs 2005-06 and 2006-07.

A benchmarking exercise with other CIDA Programs dealing with states in crisis was performed by the Review Team to develop a better understanding of the adequacy of resource levels on the Afghanistan Program to cope with the challenges of managing the program. The results of this benchmarking suggest that the Afghanistan Program was significantly under-resourced during the period covered by the Review. The analysis and evolution of the picture with respect to the HR and other support services are discussed further in section 6.3.

2.2.3 Program Strategy

CIDA recognized that its actions alone would not totally account for the achievements of expected objectives and results. CIDA, as other donors, would contribute to the GoA attainment of these objectives and results through a mutual partnership with other donors and a shared accountability.

Country ownership is a principle shared by other donors. At the Berlin Declaration of April 2004, it was agreed in the final declaration (known as the *Berlin declaration*), article 7: “*that further assistance will be required over the years to come to secure Afghanistan’s long-term reconstruction needs and that with growing absorption capacity a reasonable share of this assistance shall be channelled through the Afghan budget as direct budget support or as contributions to the Afghanistan Reconstruction Trust Fund (ARTF) and to the Law and Order Trust Fund (LOTFA).*”

Budgetary support to finance the recurrent costs of the GoA's expenditures is expected to enable the government to gradually have an increased control over its budgetary choices and priority setting. Meanwhile, channelling approximately 85 percent of funds through programs funded and/or managed by the UN and the WB, within the objectives of CIDA's program, also allows CIDA to benefit from a shared accountability with these institutions.

Recognizing the lead role of the GoA, much of CIDA's funding for 2004-2009 would be provided to key national programs through multilateral organizations, and international financial institutions, and not directly to the GoA.

CIDA would prudently engage with selected ministries of the GoA such as the Ministry of Finance and/or the MRRD, to support the coordination of national policies, ensure the interconnectivity amongst the various GoA programs and enhance development effectiveness and effective expenditure and performance reporting.

CIDA also anticipated that a portion of the program (between 15 and 25 percent) would go to complementary funding through other mechanisms, such as Canadian and international civil society organizations, and other departments of the Government of Canada, in line with Afghan-led programs.

The structure of the CIDA strategy as stated in the March 2005 RRMAF was:

- Core Budgetary Funding of Government;
- Security and Rule of Law;
- Rural Livelihoods; and
- Natural Resources Management.

CIDA remains focused on the RRMAF's original goal: state building, and continues to mainly fund government programs. The GoA has lauded this practice, observing that CIDA has focused on channelling most of its funds through government programs, and not on parallel programming managed outside the ministries of the state. The Program strategy is also aligned with and supports key Canadian foreign policy priorities.

The evolution of the Program strategy is discussed further in section 6.1.

2.2.3.1 Choice of Investments and Partners

CIDA's choice of projects has evolved from trial and error to the use of more formal and substantial criteria. In 2002 - 2003, CIDA had to react, decide very quickly with limited knowledge of the programming terrain. It was learning-by-doing initially: for example, using seed money from Multilateral Branch for many small initiatives to identify the capabilities of various potential partners, and then pick the better performing organizations and projects. After the frenzy of the initial start up, there was more knowledge to choose more carefully. These earlier efforts depended on sharing information and learning.

Once CIDA's knowledge improved and the new government's first development framework emerged, CIDA's project selection criteria strategy focused on two principles:

- Work with more capable Ministries, and Ministers;
- Fund via trust funds to protect flows, keep administration costs down, and help assure financial accountability.

The selection of investments and partners are discussed further in section 6.2.

2.2.3.2 The Addition of Kandahar: A new Dimension

With the addition of the Kandahar component, the Afghanistan Program diversified from a largely “Program-based approach through Grants to multilateral organizations” toward a more complex mix of “program- and project-based approaches through a mix of Grants and Contributions to a variety of partners”. This would require an increased level of effort from CIDA staff, and has implications for the staff resources devoted to the Program.

Although CIDA’s activities in Kandahar province are not covered by this Review, relevant information on it is presented here to provide an understanding of the totality of the picture and complexity of CIDA’s activities on Afghanistan.

CIDA’s activities in Kandahar operate through the Canadian Provincial Reconstruction Team (PRT),⁵ which was established in August 2005 after about a year of research on designing it. One CIDA staff was posted to it originally, now there are three, plus two at Kandahar Airfield, and three local staff at the PRT. There is also one DFAIT officer, as well as DND officers.

PRTs are completely new territory in development practice. There is no significant Canadian or international development policy to guide their operations. Few people have any expertise in operating and coordinating this complex component of 3D (Defence, Diplomacy and Development) operations.

Massive youth unemployment, conflicts over land holdings and other issues, very weak provincial government, narco-politics, and clan and political conflict characterize Kandahar province. Within this mix are cultural factions of Pashtun hospitality and honour. Given the armed conflict and historically weak central government outreach, the GoA national programs were not reaching the southern provinces such as Kandahar.

The PRT program aims to reduce the political/economic sources of insecurity and extend the legitimacy and capabilities of the central and provincial governments. People want services, yet the very politically demanding decentralization to the provincial and district level is still in the discussion phase. Provincial governments do not yet have their own budgets. Balancing immediate political needs (both in Canada and in Afghanistan) with the need to form longer-term effective local governance for the infrastructure, health care or community development services are new terrain.

In practice, the strategy is evolving based on many policy drivers: the RRMAF, the Whole of

⁵Integrating the 3 Ds. The manager of CIDA’s Kandahar operations is in CIDA HQ and reports directly to the DG. There is a CIDA Development Director based at the PRT. There are about 22 PRTs in Afghanistan each attached to different NATO country military forces.

Government approach in Canada, the ANDS, the Paris Declaration;⁶ emerging lessons from programming in fragile states, and combining military and development activities in the PRT in Kandahar. Also CIDA is being increasingly asked to involve more Canadian organizations.

Within this complex matrix, the structure of the strategy is also evolving. Historically, no other CIDA program has faced such challenges. Applying the stated strategy for the National Program in the context of a conflict/post conflict country with significant capacity constraints, weak governance systems, and unsecured environment was already a profoundly complex, multi-dimensional challenge in terms of leadership, management, operations and communications. Adding the Kandahar dimension makes it even more challenging.

3. REVIEW OBJECTIVES, APPROACH AND LIMITATIONS

3.1 Objectives of the Review

The objectives of the Review are to:

- a) assess performance in terms of progress made towards the achievement of the stated results of the Afghanistan Program;
- b) determine if the results are contributing to the development of a legitimate and stable state, which is the aim of CIDA's support to Afghanistan;
- c) assess the adequacy of the accountability framework to ensure that the funds are properly managed and spent for intended purposes; and
- d) provide lessons and recommendations to improve the Program.

3.2 Review Approach

The information for the evaluation was derived from both primary (interviews) and secondary sources (documents). Documents used include existing evaluation, audit and monitoring reports already produced by CIDA, CIDA partners (e.g. World Bank, UN organizations, Donors, GoA, etc), and other independent international research institutions, after assessing their reliability and credibility. The credibility of evaluations, for example, was assessed on the basis of usual quality criteria such as balanced reporting, methodological rigour, valid and reliable data, use of multiple lines of evidence, and conclusions supported by the evidence.

⁶Other donors also fund these national programs. Accordingly, it would not be feasible for each donor to put in place its own specific monitoring mechanisms for each of the specific national grants / initiatives implemented, as it would create an unbearable pressure on the limited reporting capacities and the human, physical and financial resources of the GoA. This is why these programs have built in their design the responsibility of self-reporting and collection of data. Therefore, it is the responsibility of the implementing partners, including the WB, the UN and the GoA, to put in place overall performance monitoring and evaluation systems. In this context, the performance measurement strategy relies on information gathered through the monitoring and evaluation systems put in place by CIDA's development partners working in Afghanistan, such as the UN and WB.

Interviews were conducted with a wide range of relevant persons: a) existing and former CIDA HQ and the Field staff; b) staff from other Government departments in Canada (DND and DFAIT); c) CIDA external monitoring team and evaluation consultants; and d) officials from the GoA.

3.3 Coverage and Sample of projects selected for Review

The Review period encompasses fiscal years (FY) 2004-05, 2005-06 and 10 months of FY 2006-07 i.e. until the end of January 2007. It should be noted that the Review, initially planned for fiscal year 2005-06, was postponed to fiscal year 2006-07 for two reasons: firstly, most of the initiatives were too recent to assess development results at the outcome level; and secondly, the security constraints were a major issue at that time. The Agency Audit Committee also approved a multi-year audit plan to 2007 to 2010 in April 2007. This plan includes an examination of the Afghanistan Program, encompassing disbursements on the Kandahar component.

With regard to this Review, the selection of projects (see table 1) examined in depth in the Review was guided by considerations such as:

- coverage of a significant portion of money spent; and
- reflection of the variety and complexity of challenges: different delivery mechanisms, size of investments, and sectoral /thematic areas of focus.

Twelve (12) of the 27 projects in the Afghanistan Program nation-wide were selected for in depth examination (see Table 1). The remaining projects have only been cursorily examined by the Review. CIDA's investments in Kandahar, most of which started in 2006, were not covered.

The 12 projects account for 83 % in terms of the Program budget and represent \$205.6 million or 73 % of CIDA's total disbursements for the nation wide Program in Afghanistan as of January 2007 (*see Table 1*). These projects are:

1. Afghanistan Reconstruction Fund (ARTF) Operating Budget Support;
2. National Solidarity Program (NSP);
3. Microfinance Investment Support Facility for Afghanistan (MISFA);
4. National Area Based Development Program (NABDP);
5. Mine Action Program for Afghanistan (MAPA);
6. Support Parliamentary Elections, and Provincial Councils;
7. Support to the Establishment of the Afghanistan Legislature (SEAL);
8. Strengthening the Rule of law in Afghanistan (SRLA);
9. Disarmament, Demobilization and Reintegration (DDR);
10. Afghanistan Stabilization Program (ASP);
11. Support to the Development of Free Media in Afghanistan; and
12. Western Basin Water Resources

These initiatives were chosen from the primary list shown in *Table 1*. They cover the four components of the Afghanistan Program i.e.: Operating Budget Support for the GoA within the ARTF initiative; Rural Livelihoods and Social Protection; Security and Rule of Law, and Natural Resources.

In addition to the above, the cross cutting theme “Equality between Women and Men” was also looked at.

3.4 Review Criteria

Review criteria were established to assess a) the adequacy of reporting with regard to the financial and project results (e.g. pertinence, credibility, independence and follow-up action on recommendations); and b) the adequacy of the accountability regime in place to ensure that funds were used for intended purposes and that intended results of the Program have been achieved (*see Annex 6*).

3.5 Limitations of the Review

The Review team did not proceed to a field visit due to the fact that there were numerous independent evaluations, audits and monitoring mission reports from credible sources, which were already available to the team for their exercise. In addition, given the security situation in Afghanistan coupled with significant restrictions on movement of personnel, it is doubtful whether a field visit would provide additional information or value. It should be noted that the Review Team discussed this limitation with Treasury Board Secretariat representatives and it was agreed to do a desk review coupled with interviews with a range of relevant persons knowledgeable of the CIDA initiatives in Afghanistan. At the planning stage of our Review, it was also decided to limit our coverage and exclude the initiatives related to Kandahar since these projects had only started in 2006 and it was too early to assess results.

Table 1 Projects Sampled for in depth Analysis in the Review (see projects shaded)

Sector	Project No	Projects Title	Funding Channel or Partner	Total disbursement last 3 years	Relative % of total investment
Budgetary Support					
	A-032445	ARTF Operating Budget Support	World Bank	60.00	21.05%
Rural Livelihoods and Social Protection					
	A-32660/32209	National Solidarity Program 2005/09	World Bank	30.00	10.53%
	A-032234	Microfinance Investment Support Facility for Afghanistan (MISFA)	World Bank	37.00	12.98%
	A-32609/32002	National Area Based Develop. (NABDP)	UNDP	15.10	5.30%
	A-032440	Afgha. Community Renewal Program (ACRP)	AKF-C	1.75	0.61%
	A-32630	Integr. Alternative Livelihoods Prog. Kan. (IALP)	UNDP/MRRD	5.00	1.75%
	A-32194	Women's Rights Fund (WRFA)	R & D	1.52	0.53%
	A-32600	Refugee Return & Integration	HCR	5.00	1.75%
Natural Resources					
	A-32170	ADB Hari Rud River Basin Study	ADB	1.00	0.35%
	A-033143	Western Basins Water Resources	ADB	10.00	3.51%
Security and Rule of Law					
	A-32446	Afghanistan Stabilization Program (ASP)	World Bank	12.00	4.21%
	A-032168	UN Mine Action National Dev. Budget	UNMAS	15.00	5.26%
	A-32597	Disarmament/Demobilization/ Reintegration (DDR)	UNDP/UNAMA	6.50	2.28%
	A-32671	Ammunition Survey & Destruction (ASD)	UNDP/UNAMA	1.20	0.42%
	A-32431	Heavy Weapons Cantonment (HWC)	UNDP/UNAMA	1.20	0.42%
	A-032956	Disarming Illegal Armed Groups (DIAG)	UNDP	4.00	1.40%
	A-032995	A/P Mine & Ammo Stockpile Destruction	UNDP	4.00	1.40%
	A-32169	Law & Order Trust Fund (LOTFA)	UNDP	2.00	0.70%
	A-32484	Strengthening rule of Law, AF	IDLO	4.30	1.51%
	A-32531	Making Budgets Work	UNDP	3.00	1.05%
	A-32806	Support to the Estab. Afghan Legislature (SEAL)	UNDP	1.20	0.42%
	A-032503	Counter-Narcotics Capacity Building	UNODC	1.00	0.35%
	A-32165	Election Support - Presidential	UNDP	8.00	2.81%
	A-32623	Parliamentary Elections Support	UNDP/JEMB	13.00	4.56%
	A-32189	Media Support	IMPACS	1.60	0.56%
Multilateral Branch					
	M-011660	Kabul Widows Humanitarian Project	CARE Int.	5.70	2.00%
Common to all sectors managed by Asia Branch					
	A-31648	Program Support Unit – Afghanistan	CIDA/PSU	2.22	0.78%
		Sub-Total		252.29	
		Other small projects < \$1million		32.71	11.48%
		Total for all Projects		285.00	100.00%
Total value and percentage of the sample				\$205.70	72.18%

4. FINDINGS AND OBSERVATIONS

4.1 Results of Specific Initiatives

The following section provides information for each CIDA project covered in terms of:

1. Funds invested, both CIDA and others where applicable;
2. Expected outcomes and indicators of success according to CIDA's Program Approval Document (PAD);
3. Results Achieved in terms of outputs and outcomes;
4. Financial accountability and reporting; and
5. A general assessment of progress to date.

References and data sources are included, and footnoted where appropriate.

About half of the twelve projects selected for this review were designed to quickly roll-out the State's services in provincial and rural areas as the projects were developed to assure the population that the new central government was functioning and able to provide services. Since, historically, the state has never had a significant presence in rural areas, this goal is a profound challenge for the Afghanistan Government.

4.1.1 ARTF Operating Budget Support

Funds Invested: This is the largest CIDA investment in Afghanistan. It is a coordinated multi-donor pooled fund administered by the World Bank. CIDA accounts for 11.2% of total donor paid-in 2003-2006 (as of October 22, 2006), ranking fifth among 26 donors to the ARTF. From April 1, 2004 to January 31, 2007, CIDA disbursed C \$60 million in the ARTF to pay for GoA recurrent expenditures, such as civil servants salaries and other government operating and maintenance expenditures.



The ARTF contributes to the regular salary payments of civil servants, such as teachers and health care workers.

Credit: CIDA

Expected outcomes (according to RRMAF and PAD documents)

1. The government functions “effectively” as its recurrent budgetary expenses are met; and
2. The government is enabled to maintain and expand the delivery of basic services to its citizens.

Indicators (according to RRMAF and PAD documents)

1. Government machinery restructured and rationalized to ensure fiscally sustainable public administration (by 2010);
2. Review of administrative units for fiscal sustainability completed;
3. % of total external assistance going to the core budget; and
4. Number of ministries with program budgeting mechanisms introduced.

Results achieved from 2004 to 2007:

Outputs⁷

1. GoA’s recurrent costs (i.e. regular salary payment to more than 270,000 civil servants, including 144,000 teachers) and operations & maintenance are reimbursed to the extent that they are consistent with the approved national budget and eligibility standards;
2. Fiscal discipline, accountability and transparency in GoA financial management is being maintained; and
3. Majority of the employees are at the provincial level:
 - i. Education receives the major portion (39%);
 - ii. Growth in school enrolment.

Outcomes

1. GoA has improved its own revenue base, mainly through customs receipts, so that it will be able to pay the costs of day-to-day operations fully in the future; and
2. In fiscal year 2005-06, revenue collection was 55 percent above the previous year.⁸

Financial Accountability

In addition to the oversight by Multilateral Partners, as described in section 4.2.2.3, the WB produces quarterly reports for donors, including CIDA, providing consolidated sources and uses of funds (amounts of contributions received from donors and expenditures paid by the ARTF). The Bank also reports regularly on trends of the eligibility of submitted expenditures. When an expenditure is found to be ‘ineligible’ it does not necessarily imply misuse or wrongdoing. For example, an ineligible expenditure for ARTF financing includes any security related expenditures (military, police, etc.). In addition any expenditure that does not adhere to the government's budget and procurement rules, or to the reporting and cash management standards agreed with the Bank, would be ineligible, and recoverable from the GoA.

⁷ CIDA Monitor’s report by Dale Posgate Jan 2007

⁸ ARTF First Quarter (2006-07) Report to Donors p.4

The Administrator of the ARTF uses the services of an external ‘Monitoring Agent’ (MA) (currently PriceWaterhouseCoopers) to examine eligibility of expenditures. For the year ending March 20, 2006, the MA examined 21% of all expenditures, of which 60% were for O&M. The MA found that about 13% of the submitted expenditures were ineligible. When examining eligibility of expenditures, the MA visited 23 of the 34 provinces.

The Auditor General of Afghanistan recently produced an audit report on the ARTF for the year ending March 20, 2006, which has been shared with CIDA. The audit covered the ARTF operational budget, which was US\$268 million. The audit team, which visited 12 ministries and four provinces, identified additional ineligible expenditures, representing 2.9% of all yearly expenditures, among those previously charged against the fund.

The combined ARTF Monitoring Agent oversight activities and the External Auditor’s audit report have demonstrated that since the creation of the fund, the number of ineligible expenditures submitted for payment have decreased, from about 34% at the beginning of 2004 to 0.7% as of March 31, 2006, according to the most recent World Bank report to the ARTF Donors, dated February 22, 2007. In addition, the GoA has an excellent record of reimbursing identified ineligible expenditures to date.

Considering the level of reporting received from the Bank, CIDA is in a position to exercise due diligence on funds transferred to the ARTF and used for the GoA budget support.

General Assessment

The ARTF has emerged as one of the main instruments for financing the country’s recurrent budget deficit, and is set to evolve into a major source of technical assistance and investment support for Afghanistan. Outputs and outcomes achieved during the 2004-07 period indicate that the government is heading in the right direction with an increasing capacity to meet its recurrent budget. Results show that the GoA is developing the capacity to expand the delivery of basic services to its citizens. CIDA received pertinent reports (narrative and financial) from various credible sources, which demonstrate: a) positive progression in terms of results and b) an acceptable level of accountability in the use of funds for intended purposes. The recent report issued to the donors by the Bank confirmed the improvements of audit reports in terms of the quality and the low percentage (less than 1%) of ineligible expenditures.

4.1.2 National Solidarity Program (NSP)

A Multi-donor mechanism financed through the ARTF investment window, this is the GoA’s flagship program for community development, strengthening of local governance, citizen participation and GoA legitimacy and credibility; Canada accounts for 21% of total donor paid-in 2003-2006 contributions (as of October 22, 2006), ranking second among seven donors.

The program is implemented by MRRD with the assistance of an Oversight Consultant (OC). There are 24 Facilitating Partners (FPs) under contract, mainly NGOs, who facilitate the establishment and capacity development of thousands of Community Development Councils

(CDCs). The OC, currently GTZ and the consulting firm Development Alternatives Inc., employs about 700 persons (Jan 2006). “The Overall performance of the OC was evaluated as highly satisfactory by the World Bank Supervisory Mission of October /November 2006”.⁹ An evaluation in 2004¹⁰ of the capabilities of the FPs found, as to be expected, that the capabilities ranged from weak to very capable. Consequently, a few weaker FPs were released and the OC amplified the capacity development of the other FPs.



Male Members of a new community council discuss their priority needs in Kandahar Province

Funds Invested

From April 1, 2004 to January 31, 2007, CIDA disbursed C\$30 million for the NSP.

Expected Outcomes

1. Higher income generated for rural communities;
2. Effective structure and systems of public administration to plan, finance and manage development interventions; and
3. Government’s operational capacity in the provinces effectively connects the central government’s policies to local needs.

Indicators

1. Rural development for the benefit of 19 million people in 38,000 villages, promoting local governance and community empowerment (by 2010);
2. Number of new Community Development Councils (CDCs) established; and
3. Number of villages with at least one national rural development program facilitated through CDCs.

⁹ Mid-term Evaluation Report, 2006, p 28.

¹⁰ Altai Consulting “Assessment of NSP Facilitating Partners”, August 2004

Results Achieved (As of 1 October 2006)

Outputs

1. Approximately 17,000 CDCs elected, from 274 districts and all 34 provinces;
2. 14,219 Community Development Plans completed;
3. 23,302 community-level sub-projects submitted for financing (US\$60,000 maximum per sub-project made available to CDC);
4. 21,176 community-level sub-projects approved for implementation; and
5. 8,450 sub-projects completed.



Election of a women's Community Development Council in Kandahar.

Credit: UN-HABITAT

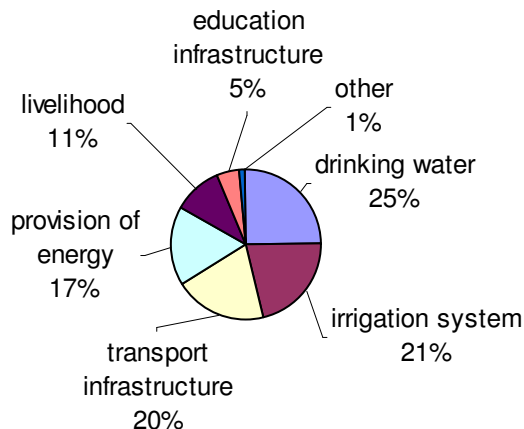
Outcomes (partly attributable to this CIDA project)

1. Over 19,000 community projects have been approved;
2. Over 7,000 community projects have been completed; and
3. The Program has reached more than 11.5 million Afghans.

Sub-projects funded through the NSP programs are distributed as follows (see Figure III)

- 25% for supplying drinking water;
- 21 % for the rehabilitation of irrigation systems;
- 20 % to improve transport infrastructure (roads, bridges);
- 17 % for the provision of energy (generators, micro-hydro, solar energy);
- 11 % to improve livelihoods and generation of income;
- 5% for education infrastructure; and
- 1 % for other investments.

Figure III *Distribution of NSP funding according to sub-projects*



Financial Accountability

The ARTF Administrator produces quarterly reports on the financial status of the fund. The reports show amounts received from donors and their attribution to each investment project, as well as the total amount of commitments and disbursements to each project. A more detailed report was produced for the first quarter of fiscal year 2005-06 explaining the process for approval of projects and transferring of funds. The report also included a status sheet (Implementation progress and Issues and Actions) and a general rating for each current investment project. The rating for NSP was “Satisfactory” for both “Achievement of grant objectives” and “Implementation”.

As a member of the NSP External Review Committee, CIDA provides oversight and can commission evaluations. The Mid-term evaluation¹¹ presented 58 recommendations, four of which addressed improvements to the financial processes. The CIDA independent Monitors also agree with the proposed improvements.

The *Mid-term Evaluation* lays out a number of systemic weaknesses in financial operations associated with NSP, including delays in the procurement process (MRRD responsibility) and transfers to FP (OC responsibility), to slow transfers to NSP accounts (Da Afghanistan Bank responsibility) and a lack of liquidity in the Block Grant fund (donor and World Bank responsibility). The CIDA Head of Aid recently facilitated an informal meeting between donors and the GoA to improve the funds flow.

One of the *Mid-term Evaluation* Recommendations proposed that financial and budgeting capacity be developed in MRRD at central and provincial levels.

For the second phase of the program, the Evaluation team projected that delivery activities would represent about 37 % of the total cost (of which 28 % is for Oversight Consultants) and the remaining 63 % would be used for Block Grants to Community Development

¹¹ Barakat, Sultan et al. Mid-term Evaluation Report of the National Solidarity Programme (NSP), Afghanistan. Post-war Reconstruction & Development Unit (PRDU), University of York, and Ministry of Rural Rehabilitation and Development, Islamic Republic of Afghanistan. (May 2006)

Councils. Considering the level of reporting received from the Bank and the Oversight Consultant, CIDA is in a position to undertake appropriate review of the information and exercise its due diligence to ensure that funds transferred to the ARTF and used for the NSP project are being used for the intended purposes.



Through a livelihood project, funded by NSP, these women in Kandahar Province are now able to help provide for their families

Credit: UN-HABITAT

General Assessment

The findings of the external CIDA Monitor corroborate the conclusions of the NSP Mid-term Evaluation Report that this is a successful project. This evaluation has found evidence of at least 11 sets of benefits¹², which have been derived from the NSP. Both the Evaluation and the Monitoring report concluded that:

1. the formation of CDCs has brought the empowerment of rural communities along with unity and collective purpose to previously divided communities;
2. CDCs significantly increase contact between communities and provincial government;
3. the types of sub-projects have undoubtedly contributed to an increase in the productive capacity of the communities (although it is unrealistic to quantitatively define the microeconomic impact at this time);
4. involving women in community-level decision making continues to be a significant challenge;
5. CDCs have brought direct forms of economic development through improved productive capacity and the provision of work in relation to certain NSP projects; and
6. there are improvements in the quality of rural life.

The report also revealed some areas for improvement and concerns. For example:

- Some concerns about the sustainability of economic projects, while it was too early to conclude that the relatively few 'livelihood' projects are not sustainable, it would appear that their sustainability has not been the subject of much analysis.
- In assessing the efficiency and effectiveness of NSP financial management operation, only "very few" instances¹³ of corruption committed by members of CDCs was acknowledged and dealt with by the Oversight Consultant.

¹² Reference: NSP Mid-term Evaluation pages 17-18.

¹³ Reference: NSP Mid-term Evaluation page 15

- there was evidence of CDCs developing new projects on their own initiative. The evaluation team considered this to be sign of successful skills development.

The *Evaluation* concluded that if the qualitative trends attributable to NSP are sustained, NSP will be able to deliver its intended impact, namely *laying the foundation for improved community level governance and poverty reduction and strengthening national solidarity*.

Another credible source on NSP accountability – based on its performance and its democratic transparency to Afghan citizens – commented as follows:

Compared to other reconstruction programs, there were many positive aspects and externalities related to NSP accountability. The public exposure of the program made it known and therefore increased the accountability of executors and implementers. The government capacity to account for program delivery was increased even though the reform of the administration lagged behind. The MRRD is perceived as one of the least corrupt institutions despite the big sums of money it handled. Relative trust has been built between recipients, government and donors. Yet it remains fragile because people “cannot understand the game played by donors” when there is significant waste in other programs. Building the capacity to monitor and hold actors to account at the very local level and the use of local resources are among the many other positive aspects of the NSP.¹⁴

On awareness among the population about the approximately 17,000 CDCs established by the National Solidarity Program (NSP), 37 % of Afghans were aware of their operations while 58 % were unaware. For those who knew of CDCs, the perceptions were quite positive, with 86 % being either very satisfied or satisfied. Only 10 % were dissatisfied.¹⁵

4.1.3 Microfinance Investment Support Facility for Afghanistan (MISFA)

This is financed through the ARTF investment window, and identified in the Afghanistan National Development Strategy (ANDS) as key to development of rural financial services and improving rural livelihoods; Canada leads among five donors with 47.0% of total paid in 2003-2006 (as of 22 October 2006).



PARWAZ is the first women-led microfinance institution in Afghanistan. Here, one of their loan officers is photographed with one of her clients.

¹⁴ Integrity Watch Afghanistan, “Assessing the NSP: The Role of Accountability in Reconstruction”, January 2007, p 26. This report by Afghani researchers is one of eight country studies on integrity in post-war reconstruction funded by Tiri, an international NGO based in London.

¹⁵ The Asia Foundation (assisted by AC Nielsen India and others), “Afghanistan in 2006: A survey of the Afghan People”, 2006. A wide ranging survey which includes perceptions on the elections. The survey (with over 100 questions) consisted of a random representative sample of 6,226 in-person interviews with Afghan citizens 18 years and older (51% women, 49 % men), in 32 of the 34 provinces. The margin of sampling error is 2.5 %. It was conducted between July and August 2006. See Appendix 2 of the survey report for the full methodology.



A woman in Herat Province uses micro-finance credit to set up her business

Funds Invested

From April 1, 2004 to January 31, 2007, CIDA disbursed C\$37 million for the MISFA.

The overall program was designed by the Consultative Group for Assistance to the Poorest (CGAP) and the World Bank, and was originally situated within the MRRD. Over the last decade, CGAP has been instrumental in defining international performance standards for micro-finance. MISFA follows internationally agreed best practices in micro-finance as evidenced by its design and performance.

MISFA capitalizes 15 Micro Finance Institutions (MFIs) with both loans and grants; the MFIs do the direct lending to clients. The first loan to a client was approved in October 2003; there are now about 266,000 active loans with excellent repayment rates and emerging operational and financial sustainability ratios for a number of the MFIs. BRAC Afghanistan, with about 30 years experience in Bangladesh, is the largest MFI.

Expected Outcomes

1. Increased range of financial services, including loans for income-generation and enterprise development; and
2. Increased savings services and consumer loans available to low-income people.

Indicators

1. Improved access to financial services for 22 % of households (800,000 by 2010);
2. Proportion of households consuming less than the national poverty line amount; and
3. Poverty gap ratio.

Results achieved from 2004 to 2007 (As of January 2007)

(source: monitoring reports from CIDA Monitor January 2007, and MISFA Reports)

Outputs

1. Approximately 266,000 active loans, with 72% of borrowers being women;
2. US\$195 million cumulative loans disbursed; \$70 million gross loans outstanding; current repayment rate 98%; Portfolio At Risk (more than 30 days), 1%;
3. Overall operational self-sufficiency of the MFIs, 59.7%; 2 MFIs are self-financing; and
4. MISFA an independent company registered under commercial code; MFIs operate under central bank legal framework as deposit-taking financial institutions.

Outcomes

1. MISFA has benefited more than 300,000 people, 72% of them are women; and
2. Most loans have helped launch small businesses, and 98% are repaid with interest.

Financial Accountability

The ARTF Administrator produces quarterly reports on the financial status of the fund. The reports show amounts received from donors and their attribution to each investment project, as well as the total amount of commitments and disbursements to each project. A more detailed report was produced for the first quarter of fiscal year 2005-06 explaining the process for approval of projects and transfer of funds. The report also included a status sheet (Implementation Progress and Issues and Actions) and a general rating for each current investment project. The rating for MISFA was “Satisfactory” for both “Achievement of grant objectives” and “Implementation”.

The MFIs are now being audited, using auditors acceptable to MISFA. MISFA has to first train the auditors, since few of them are specialists in auditing micro-finance organizations.

Based on best practices in micro-finance, MISFA produces quarterly and annual reports. MFIs report monthly to MISFA, who in turn consolidates these reports into a report to MRRD. MISFA staff regularly visits MFI field offices. Considering the level of reporting received from the Bank, CIDA is in a position to undertake the necessary review of the information and exercise its due diligence to assure itself that funds transferred to the ARTF and used for the MISFA project are being used for the intended purposes.



© MISFA (Afghanistan)

A Branch Manager (right) for the Afghanistan Rural Micro credit Programme in Waras, Bamiyan, which was set up in 2003 by the Aga Khan Foundation, is seen here conducting a project screening.

General Assessment

Such growth in just over 3 years, with good financial performance ratios, is unusual and remarkable. Socio-economic client impact studies are starting.

To date there has been low rural coverage; given the security concerns in many districts, half of the MFIs are in Kabul. About 72 % of the clients are women, and about half of these are borrowing for men in the family. Men co-sign the loan agreement so that the services have social acceptance. Even so, this has been seen to empower women in Afghanistan.

In its first 3 years, management concentrated on building the capabilities of MISFA and the MFIs. Substantial time was spent training MFIs in financial management, loan management and data systems. This was essential before expanding much further, or before targeting lower income clients. The staff numbers in MISFA are small: 20 staff in total, plus 2 advisors.

An independent evaluation of MISFA, conducted in 2006,¹⁶ found that:

- MISFA's performance "has been highly satisfactory";
- Given the enormous demand for micro-finance services, there is potential for many of the MFIs to become financially sustainable in the next 3 years;
- MISFA's growth is higher than that in any other conflict affected country; and
- Its transformation into a limited liability company is a sound approach.

Key recommendations included:

- MISFA should clarify how it will reach vulnerable populations, rural areas and conflict zones;
- Donors should make longer term funding forecasts and commitments; and
- The Ministry of Finance, donors and MISFA should ensure that operational and disbursement procedures are more efficient.

¹⁶ Geetha Nagarajan, Henry Knight, Taara Chandani, "Mid-term Review of the Microfinance Sector and MISFA in Afghanistan", 18 October 2006. One of the authors is Canadian.

In March 2006, MISFA was established as a private company. The GoA wisely granted MISFA this independence. Decades of lessons in micro-finance services mandate that programming should be independent of government. The Board consists of: 3 private sector persons, 3 international MF specialists (including one Canadian) and 2 government representatives. Decisions of Board meetings are public information.

In conclusion, it is the opinion of the Review Team that this is an excellent CIDA investment.

4.1.4 National Area-based Development Program (NABDP) –Phase II



Through NABDP, these workers were able to dig a deep well in Aibak Samangan, providing needed water for its citizens.

Credit: MRRD

This is a multi-donor initiative. CIDA contributes 6.5% of Phase II; core element of Ministry of Rural Rehabilitation and Development (MRRD) integrated rural development strategy. Phase II was developed through extensive inter-ministerial consultation, with an approach and mechanisms for inter-ministerial coordination at central and decentralized levels in support of integrated rural development.

Funds Invested

From April 1, 2004 to January 31, 2007, CIDA transferred C\$15.1 million to UNDP for the NABDP program. The Phase II (2005-2009) includes the following components:

- Regional economic development: implement regional rural economic regeneration strategies that contribute to poverty reduction.
- Capacity development: develop the organisational and management capabilities of the Ministry and partners at the national, provincial and district levels, mainly through the continued formations of District Development Assemblies (DDAs) which will design district development plans.
- Immediate recovery projects: to continue responding to the urgent needs of the rural communities, until the district development plans are in place and priority projects have been identified.

Expected Results

GoA will have the policies, procedures and capacity to promote medium and long-term development projects and development cycles (production, process, market) to:

1. regenerate local economies;

2. create sustainable employment opportunities; and
3. stimulate economic interrelationships and synergies across program areas.

Indicators

1. Rural development for the benefit of 19 million people in 38,000 villages, promoting local governance and community empowerment (2010); and
2. Number of new District Development Assemblies established.

Results Achieved¹⁷

Capacity Development:

- Provincial plans were prepared for 32 provinces. As a result, four priority projects per district were identified.
- 69 District Development Assemblies (DDAs) established, and their district plans completed. (Sept 2006)
- About 140 government officials have observed and monitored DDA elections. (Sept 2006)
- Continued training of Provincial Development Councils (including Kandahar).
- Rehabilitation of 15 MRRD provincial offices was completed.
- 43 MRRD provincial directors attended a five-month training course organized by BRAC in Bangladesh.
- The NABDP team and MRRD monitored a total of 131 subprojects. Satisfactory progress of the work was reported.

Regional Economic Regeneration:

- Feasibility studies completed: cotton mill, rose oil industry, textile mill and the preparation of other studies in sectors including textiles, foodstuff, livestock and horticulture are progressing.
- The launch of a major study to provide a planning framework for rural development planning. (Sept 2006)



Construction of a clinic in Khost Province

Credit: MRRD

¹⁷ NABDP, Third Quarter Report (1 July – 30 September 2006)

Financial Accountability

According to the grant agreement with UNDP, an annual report on activities undertaken and progress achieved in relation to the activities and annual financial statements showing project expenditures are to be provided to CIDA. Until a year ago and for all of the duration of Phase I, there were few of these reports received from UNDP, which raised concerns by the Program/Desk. In its mission of January 2006, the CIDA Monitoring team met with the implementing partners in Kabul to obtain additional information about the concerns. Since that time, more reporting was received at CIDA; the implementing partner (the Ministry MRRD) prepares quarterly reports, which include a financial table showing expenditures by project component and by donor's country.

In 2006, the Auditor General of Afghanistan conducted an audit of five UNDP projects, which included the NABDP. The audit examined expenditures listed on the *Combined Delivery Report* (CDR) for the calendar year 2005. The Auditor's opinion was that "the report presents fairly the cash expenditures of the project", except for four comments. One comment was the absence of the list of direct payments made by UNDP for an amount of US\$5.1 million; the other was a variance of US\$8,240 between the CDR and the UNDP financial system. UNDP's response to these comments were that: 1) the \$5,121,531 was included in the total of \$7,589,217, as reported under UNDP disbursement column of the CRD, however, a sum of \$2,467,686 was not audited as it represents support services expenditures, which were out of the audit scope, in line with the Terms of Reference for the audit; 2) the difference of \$8,240 between the CDR and the UNDP financial system is a generic problem well known by UNDP HQ who is working on it.

At the time of this review, CIDA received a confirmation from UNDP that a follow-up was initiated with the Auditor General's Office to resolve this issue.

Considering the level of financial reporting currently received from the implementing partners, the audit report carried out by the Auditor General of Afghanistan and other information available on the UNDP web site, CIDA is in a position to exercise due diligence on funds transferred to UNDP and used for the NABDP program.



Construction of a road in Paktika Province

Credit: MRRD

General Assessment

Phase I (2002 -2004) focused on responding to the emergency needs of people and establishing the presence of the GoA throughout the country, Phase II focuses on enabling the GoA through provincial and district councils to support integrated rural development as a critical element in poverty reduction.

An evaluation of Phase I in 2004 provides credible analysis of the program at that point in time.¹⁸ The NABDP stimulated the growth in MRRD capacity and outreach throughout the country – starting from essentially zero presence.

According to the new MRRD strategic plan (2006/7 – 2008/9), NABDP II will help to coordinate and/or integrate its other national programs” (i.e. NSP; National Emergency Employment Programme; Rural Water and Sanitation Program; Integrated Alternative Livelihoods Programs (IALP) nationally and in Kandahar; and MISFA. Community-level mobilization particularly at the district level leads to the development of District Development Assemblies and from them District Development Plans. This strategy is based on a tested process, the CDC formation process from the NSP. CIDA currently supports MISFA, NSP and IALP.

To begin to integrate some of the many interrelated projects in some districts, NABDP II is working with the Facilitating Partners of NSP and with another project Disarmament of Illegally Armed Groups (DIAG) and a new inter-ministerial reintegration initiative to provide employment for former combatants. CIDA has earmarked some of its funding to NABDP for Kandahar province. Consequently, there are the beginnings of a higher level of ownership across the whole of the GoA and the birth of local level governance.

In comparison to the NSP for example, reporting on and evaluation of this project is not as thorough. In Phase 1 there had been a lack of results-based reporting and data on the trends in results, and delays in reporting. However there have been subsequent improvements in the reporting on Phase II after CIDA expressed its concerns.

The essential point to grasp in approaching NABDP II is that the program is not simply another of several programs implemented through MRRD. NABDP II is in fact the organizational pillar of a sector-wide approach to rural development, a key element for realizing the MRRD Strategic Plan, and consequently the building of state capacity.

The UNDP has experienced delays in the recruitment of technical assistance. Continued close monitoring of the UNDP to improve performance in recruitment and reporting will continue to be an essential element of CIDA’s due diligence.

In summary, NABDP II has made very significant progress compared to phase I

¹⁸ Elizabeth Winter, “Findings. Conclusions & Recommendations from the Independent Evaluation of the NABDP”, Autumn 2004.

4.1.5 Mine Action National Development Budget

Consistent with its promotion of the Ottawa Convention, Canada is the ‘focal point’ for mine action in Afghanistan with the UN Mine Action Centre for Afghanistan (UNMACA), contributing 30% of total humanitarian mine action (ranking second among 17 donor agencies).

Funds Invested

From April 1, 2004 to January 31, 2007, CIDA transferred C\$15 million to the UN Mine Action Services (UNMAS) for the Mine Action project.

Expected Results

1. GoA has capacity to assume long term coordination and policy making responsibility for mine action;
2. Mine action integrated into national development strategy and plans;
3. Land with most economic potential is available for use; and
4. Greater physical/psychological security for Afghan population; fewer mine accidents/deaths from unexploded devices.

Indicators

1. Increase in the amount of land available for productive use as a result of the reduction of anti-personnel mines (2010); destruction of all stockpiled anti-personnel mines (2007);
2. Number of impacted communities;
3. Number of stockpiled anti-personnel mines destroyed; and
4. % of surveyed unserviceable surplus ammunition destroyed.

Results achieved from 2004 to 2007

(source: monitoring reports from CIDA Monitor Dec 2006)

1. Little progress toward target of handover to GoA by 2009: no enabling legislation, little sign of political will, resistance by local and international Implementing Partners (NGOs);
2. ANDS Security Sector benchmark: 70% reduction by end-2010 in land area contaminated by mines;
3. 421 km² cleared January 2002-March 2006 (720 km² yet to clear), with high impact priorities identified through Landmine Impact Survey (using Rapid Rural Appraisal techniques); 87,262 Anti Tank Mines/Anti Personnel Mines destroyed January 2002-March 2006;
4. 55% decline in monthly average number of victims since 2001 (i.e. from 140 to 63/month in 2006); and
5. 8.3 million persons received Mine Risk Education (MRE), January 2002-March 2006; 2005 survey shows positive results among MRE beneficiaries. Close to 2 million Afghans benefited from mine risk education activities in 2005. Seventy-six community- based mine risk education teams from seven implementing agencies have provided community liaison networks, teacher training, peer education, police and

religious leaders training, radio, television and community monitoring of risk (victim and incident data collection) and mine risk education impact monitoring. The Program focuses on the needs of individual communities. In addition, seven mine risk education teams from three implementing agencies have targeted repatriating Afghans through activities provided at the UN High Commissioner for Refugees' "encashment" and transit centers near the borders of Pakistan and Iran. Over 500,000 people passed through these centers in 2005. Six mine risk education quality assurance teams provided activity and impact monitoring, evaluation and the certification and maintenance of national standards.

(Source: UNMAS, Annual Report 2005)

1. Landmine impact survey, completed in January 2005, indicated that 2,368 Afghan communities are affected by 716 million square meters of suspected hazardous areas, affecting as many as 4.2 million people spread across 32 of 34 provinces.
2. Manual teams including 30 mine-detecting dog sets have technically surveyed the territory and released 19.35% of known landmine contaminated areas, a reduction of 34% of highly affected communities.

Based on the Program documentation received, the following results have been reported:

1. Almost 19.35 percent of known landmine- and ERW contaminated area was released through survey and clearance activities (a total of 138.6 million square meters). All known ammunition stockpiles have been sorted and legitimate ammunition in good condition has been moved to ammunition consolidation points established in each region. These consolidation points are temporary in nature and will be shifted to permanent sites being built by US military's combined security transition command.
2. All stockpiles of APMs and ammunition deemed unsafe are being safely destroyed by the implementing partners in central destruction sites, which are maintained in each region. The details of ammunition consolidated and destroyed are as under:

Ammunition Surveyed 28,866 TONS
Ammunition Consolidated 8212 TONS
Ammunition destroyed 12,401 TONS
Anti-Personnel Mines destroyed 334,025 PCS
Anti-Tank Mines destroyed 12,755 PCS
Total number of caches surveyed 1302 Caches

Implementation of Afghanistan's State Party obligations under article 4 of the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of AP mines and on their Destruction is effectively furthered.

Outcomes

1. Reduction of almost 20% of known landmine-/explosive remnants of war-contaminated areas;
2. 34% reduction in the number of highly affected communities; and
3. Close to 2 million Afghans benefited from Mine Risk Education activities in 2005.



Deminers inspect their equipment at the start of their shift.

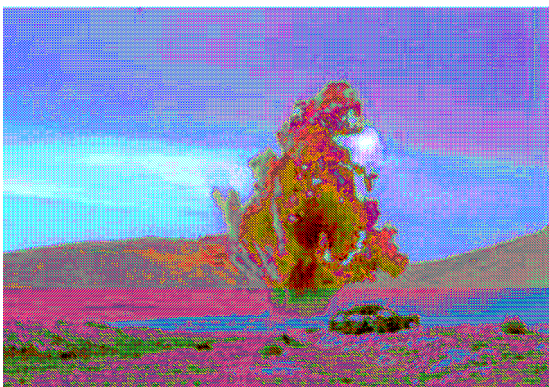
Credit: Mine Action Programme for Afghanistan

Financial Accountability

According to the grant agreement with the UN, an annual report on activities undertaken and progress achieved in relation to the activities and annual financial statements showing project expenditures are to be provided to CIDA. These reports are available on the UN web site or the implementing partner, but often as a result these are rarely found in CIDA files. This could make it more difficult for the project team to conduct a good due diligence exercise, before releasing a new payment.

A short report received from UNMACA (the UNMAS delivery centre in Afghanistan) in December 2006 and requesting additional funding provides some details about the use of the second payment of \$5 million received from CIDA in 2005-06. The report outlines for what activities the Canadian funds were used and to which implementing partner the funds were transferred, but do not indicate what expenses were paid with the Canadian funds. Other progress or annual reports in file provide a lot of information on mine action operations but little financial information; those found show details about contributions received from the various donors, rather than providing information about expenditures. The same is true for most reports found on Mineaction web site (*Mineaction.org*).

The desk obtained a two-page document presenting the background, context and general findings of an audit of the Mine Action Programme for Afghanistan NGOs, which was carried out by Price Waterhouse Coopers in 2005, electronically. The Afghanistan Program is following up on further results.



Demolition of stockpiled anti-personnel mines.

Credit: Mine Action Programme for Afghanistan

General Assessment

The project has significant achievements in de-mining and neutralizing other explosives - using a variety of NGOs and contractors to carry out the work. An independent evaluation of one of the biggest de-mining NGOs (HaloTrust) was conducted in 2006 with very favourable findings¹⁹.

Over the past few years there has been good leadership in the project by UNMACA. But given the staff turnover in UNMACA, it is a continuing challenge for the Centre to post highly capable personnel.

It is planned to hand over much of the project management responsibly to the GoA, but to date there has been little progress.

4.1.6 Support to Parliamentary Elections, and Provincial Councils

The project was managed by the UNDP using international technical advice, with operational support to the Interim Afghan Electoral Commission and the Joint Electoral Management Board Secretariat (JEMBS). These elections in 2005 followed the much simpler (operationally) Presidential Election in 2004, the first election held in Afghanistan in 30 years. The United Nations was the guarantor responsible for delivering on the Bonn Agreement, including elections.

Funds Invested

For the fiscal year 2005/06, CIDA transferred grants for an amount of C\$13 million to the Election project. Assuming a US exchange rate of 0.8, Canada's contribution represents approximately 6.5 % of the final budget.

The total donor funding: US\$139 million, including pledges (August 2005) from 22 donor countries. Funding shortfall: US\$21 million.²⁰ The original budget was US\$ 149 million²¹, while the Final budget was US\$159 million. This project was supported by a smaller CIDA project supporting election monitors (C\$100,000, FY 2005/06). CIDA also gave an additional \$450,000 in the summer of 2006 to lead the way for other donors to contribute to cover the shortfall.

¹⁹ M. Ashkenazi, "Assessment of the HALO-Trust Weapons and Ammunition Disposal Operations in Afghanistan" (Bonn International Center for Conversion), November 2006. HALO-Trust, which started operations in Afghanistan in 1988, was seen as a "well managed, professional organization".

²⁰ UNDP Country Office Letter, 28 August 2005. And "JEMBS Final Budget", 25 August 2005. The current shortfall is about \$ 15 million (interview CIDA)

²¹ Ibid



© Joint Electoral Management Body Secretariat/Marie Frechon

A woman casts her ballot in Afghanistan's September 18, 2005, election, for which Canada provided support.

Purpose of the Project

The political participation of citizens and civil society in elections that are deemed free and fair by the international community.

Expected Results

- The electoral process is effectively conducted in accordance with international standards;
- Men and Women Parliamentary candidates stand to run for the parliament; and
- National and international election observation.

Results Achieved

- About 5,800 candidates (582 women) stood for election;
- 6.8 million persons voted (51.5 % turnout, 43% women) producing 13 million ballots for both Parliamentary and Provincial Councils; and
- Accredited election observers: 10,000 national and 780 international observers, and 1280 media representatives.

A 2005 report by the Joint Electoral Management Body shows that: the project supported a full range of election services: civic education programs and information campaigns, training of polling station officials, providing adequate security, training candidates on the Electoral Law and legitimate campaign processes. Special working groups were established to promote participation by women, “kuchis” (nomadic people), and the 2 million Afghans who are disabled. At its peak, about 180,000 national and 540 international staff were employed by the election secretariat.

Financial Accountability

Although the Review Team was not able to find any financial report on the JEMBS Web site and CIDA's files, showing actual election expenditures, we have obtained the following information from the JEMBS Final Budget Report:

- Ballot printing costs were much higher than planned. The additional costs (7 % over the original budget) and variances are extensively analyzed in a JEMBS report.²² It was decided to use 69 different tabloid sized ballots more suitable for a largely illiterate population. In Kabul alone, this meant an 8 page newspaper-size ballot with over 400 names on it. To partly compensate for the extra cost, project management reduced the costs of international management and national staff. Based on the data available,

²² “JEMBS Final Budget”, 25 August 2005

satisfactory budgetary controls were in place. Costs per voter were about \$ 13, compared to Kosovo 2000, C\$37 per voter; Nicaragua 2001, C\$14 per voter; and Cambodia 1993, C\$45 per voter. With an election management organization now in place, future election costs per voter are expected to be about half.



***Afghan woman casts her ballot
in Afghanistan's first-ever direct
presidential election.***

Credit: Human Rights Watch

General Assessment

The project's purposes were achieved.

*External Evaluation*²³:

An independent evaluation concluded that the United Nations, the international community and citizens “contributed to the successful delivery of two complex inaugural elections...” (Presidential and Parliamentary) – despite many constraints and complex management challenges. “The timeframe in the Bonn Agreement was unrealistically tight”: Security, time and political imperatives drove the process, and the costs. The baseline was zero: no working institutions, no effective government, no electoral law, no viable economy, no reliable civil register, and no security. “Experience in electoral administration was nil.” Focusing on long term capacity development “was not an option”. However, many short term capacity development activities were included.

Survey of Citizen Perceptions of the Election²⁴

This representative survey in 2006 found that 54 % of the population felt that the elections were free and fair. Regarding future elections, 64% felt that the GoA could manage free and fair elections on its own.

Subsequent related projects funded by CIDA include: Support to the Establishment of the Afghan Legislature (SEAL), to develop the national Parliament into an effective institution, a project described below; and support to the Independent Electoral Commission, 2006/07.

²³ M. Cook, D.Finn, “Election Evaluation Mission: Afghan Voter Registration 2003 and Elections Projects 2004/2005” 14 May 2006. This evaluation, for the UNDP, included the voter registration in 2003, the Presidential election in 2004 and the subsequent Parliamentary elections in 2005.

²⁴ The Asia Foundation (assisted by AC Nielsen India and others), “Afghanistan in 2006: A survey of the Afghan People”, 2006. A wide ranging survey which includes perceptions on the elections.

4.1.7 Support to the Establishment of the Afghan Legislature (SEAL)

This is a multi-donor initiative, with France as lead donor, for the institutional development of the Parliament. The project is implemented by the United Nations Assistance Mission to Afghanistan (UNAMA), with the funding flowing through the UNDP.



Afghan National Assembly

Credit: US Department of State

Funds Invested: During fiscal year 2005/06, CIDA transferred C\$1.2 million to UNDP for the project. The CIDA contribution is 7.4% of total funding, ranking seventh among eight donors.

Purpose of the Project: Institutional development of the Parliament.

Expected Results: A fully operational and efficient Parliament, recognized by the people of Afghanistan as their representative institution, functioning on an accountable basis, and in a transparent manner.

Results Achieved²⁵

- An elected Parliament convened on 19 Dec 2005 for first time in 33 years; 9 month session completed;
- Secretariats of Wolesi and Meshrano Jirgas (Upper and Lower Houses) established and operating; Rules of Procedure established; 30 Parliamentary Commissions established in substantive issue areas;
- Ministerial and Supreme Court appointments debated and approved;
- About 500 Secretariat staff and 300 MPs have received various types of training and capacity development sessions; and
- No legislation debated or approved yet.

Financial Accountability

Quarterly and annual reports on the SEAL project, produced by UNDP, include a short Finance section showing donors' contribution funding status and a statement of expenditures

²⁵ UNDP, Third Quarter Report, "Support to the Establishment of the Afghan Legislature", October 2006, and CIDA Monitor's Reports.

Funds Invested: A contribution agreement was signed between CIDA and IDLO on March 15, 2005, for the project with 33 months duration and a value of C\$6.34 million. Since that date, CIDA has transferred C\$4.3 million to IDLO.

The Contribution Agreement was amended in August 2006 with a revised budget and to recognize changes in the expected outcomes as the project evolved.

Purpose of the Project: To improve the Afghan judicial system.

Expected Outcomes

- Enhanced capacity of the judiciary in first level courts to resolve civil and commercial disputes;
- Improved administrative capacity and effectiveness of pilot court(s); and
- Increased access to legal aid for poor defendants, particularly women and minors.

Results Achieved

- 90 judges (16 women) trained in civil, commercial and criminal law and procedure;
- 75 judges trained in other areas;
- one-year ‘training for trainers’ course for 20 judges underway;
- 75 public prosecutors (12 women) trained in one of three areas: financial crime, gender justice or juvenile justice;
- A year-long training course for 50 public defenders is underway;
- A ‘Gender and Criminal Justice’ project component to replace the stalled ‘Revision of Civil Code’ component; and
- A component to improve Court Administration is stalled; IDLO is searching for alternatives.

Financial Accountability

CIDA’s Financial Compliance Unit (FCU) conducted an initial visit to IDLO, in May 2005, to review the contribution agreement, IDLO’s financial reporting system and internal control procedures and to ensure that the recipient is capable of producing adequate financial information that meet CIDA requirements. The report presented several recommendations suggesting changes to the contribution agreement (CA), to IDLO’s financial and reporting system, and the addition of a new audit clause. The audit report was received from the FCU on August 31, 2005, but the CA was only amended a year later. The Amendment included a new clause on “Auditing Procedures” in the CA and changes to all five appendices.

The examination of financial reports, including those received after the date of the Amendment, revealed that:

- a) the budget column has been the same since the beginning of the project and some items show an amount different from the approved budget;
- b) the budget was never structured to report on an activity basis, which was a requirement of Appendix A - *Financial and Progress Reporting* clause;
- c) the total amount of advance payments received as well as the remaining unutilized funds were not submitted to CIDA; and

- d) there is no indication of interest earned on unutilized funds.

When these concerns were discussed with the Desk, it became apparent that it was difficult to exercise due diligence on financial reporting, since the reports show insufficient detail. The last advance requested by the organization is currently being withheld by CIDA.

General Assessment

Beyond training, results will be difficult to achieve in terms of institutional change. Local commitment is weak. There seems to be different views within the GoA on who will lead some of the project components. The MoJ has not attended some Project Steering Committee meetings, and prefers to construct physical infrastructure and not focus on capacity development. IDLO has not always fielded appropriate managers, and has not used the LFA in reporting. In general, outside this project, reforms in the justice sector will be profoundly difficult. There are non-functioning courts, alleged extensive corruption, and a wide-spread belief that the courts do not produce fair results.

This finding underlines the importance of ensuring that NGOs funded to work in Afghanistan have substantial experience in working in a post conflict country, in development project design and implementation, and strong financial reporting systems.

4.1.9 Disarmament, Demobilization and Reintegration (DDR)

This multi-donor project is implemented by the United Nations Assistance Mission to Afghanistan (UNAMA), with the funding flowing through the UNDP. It is part of the Afghanistan New Beginnings Program (ANBP), which also includes three other projects also supported by CIDA. The design of the DDR is based on the UN's previous experience in many parts of the world where there has been armed conflict.

Funds Invested: For the fiscal year 2004/05, CIDA transferred grants for an amount of C\$6.5 million to the DDR project. According to the last UNDP report received (second quarter June 2006) Canada's contribution represents approximately 11.3% of total disbursements, ranking it third among eight donors.

Purpose of the Project: To disarm, demobilize and integrate ex-combatants into civilian life.

Expected Outcomes: Ex-combatants are participating in the legal economy in both rural and urban areas and there is a weakening in the culture of violence.

Results Achieved

- Disarmament and demobilization of over 62,000 ex-combatants (approx C\$ 1000 per person);
- Over 53,000 ex-combatants provided reintegration assistance; and
- 90% employment rate among 5,010 ex-combatants surveyed:²⁸
 - 15%, making less than C\$1 /day;

²⁸ UNDP/ANBP/DDR, 4th DDR Client Satisfaction Survey, July 2006

- 41%, \$1-2/day;
- 44%, more than C\$2/day;
- 72% expect a better future if there are better access to health, education, water and other basic needs; and
- 67% of income spent on food, a subsistence level of existence.

Financial Accountability

The *Final Report for CIDA Grant* produced by UNDP in September 2004 (the previous phase of the Program), provides details about the achievements of the project. *Annex 2* of the report shows the breakdown of Budget and Expenditures of Canadian Funds for the period of January to September 2004. The report lists operating cost, as well as activity cost, with the available balance at the end of the period.

The UNDP *Second Quarter Report* for the period ending June 30, 2006 provides some financial summary tables on DDR expenditures and commitments for the quarter, broken down by project activities. The tables show contributions received from each donor and expenditures allocated per donor. They list cumulative amounts for a period beginning as early as March 2003. The cutoff period used by UNDP differs from CIDA's. A 3-year phase II project started in 2005.

The Program/Desk prepared a short report for the file describing the due diligence it has exercised in assessing whether or not CIDA should continue to support the DDR project and provide additional funds to UNDP. Considering that a dedicated Law and Order Trust Fund (LOTFA) was established to receive funds for DDR, UNDP provides donors with regular progress and financial reports and an International Observer Group (of which CIDA is a member) oversees management of the DDR program, CIDA is in a position to exercise due diligence on funds transferred to UNDP for the DDR project.

General Assessment

Since armed conflict has not fully stopped, DDR is a profoundly challenging endeavour. The reintegration has been difficult to achieve. Legal formal and informal employment/work opportunities for ex-combatants are few and generally low paying. Trend data on progress is not readily available; and it is difficult to accurately estimate the numbers of combatants still existing.

“Coordination and mutual support among agencies involved in the process is minimal.”²⁹

The absence of an *outcome* perspective in the provision of assistance and adequate monitoring of reintegration as *outcome* put at risk success in reintegrating ex-combatants to a civilian life of gainful employment.³⁰

²⁹ Vira Chrobok, “Demobilizing and Reintegrating Afghanistan’s Young Soldiers” (Bonn International Centre for Conversion), 2005.

³⁰ Edburgh, *Evaluation*, 2006

4.1.10 Afghanistan Stabilization Program (ASP)

This project was intended to support the Government of Afghanistan, was financed through the ARTF Investment Window, and managed by the World Bank. CIDA and the WB have discussed how the ASP funds were to be re-preferenced and have agreed that CIDA would be able to exercise its preference towards existing and proven programs such as MISFA and NSP. Expenses will be reported against these programs. This project was suspended and not implemented for the reasons explained below.

In March 2005, CIDA made a grant of C\$12M to the ARTF for the purpose of co-financing the Afghanistan Stabilization Program (ASP). The project, to be implemented by the Ministry of Interior, was expected to improve the government services available to people outside Kabul, thus lifting standards of living and contributing to greater prosperity. The total value of the project was estimated at US\$239 million with support from other major donors including the UK, US, and Japan.

During the summer of 2005, the WB identified management problems, slow progress and other issues that were later confirmed in a DfID Interim Assessment and Audit. At CIDA's request, the CIDA C\$12 million was held in a secure financial environment within the Trust Fund and remained unallocated. CIDA was able to redirect the funds to more effective projects, namely NSP and MISFA, also funded through the ARTF.

Lessons learned

Multi-donor mechanisms and prudent management and due diligence by CIDA have significantly mitigated the risks with this project.

4.1.11 Support to the Development of Free Media In Afghanistan

The project was implemented under a contribution agreement between CIDA and the Institute for Media Policy and Civil Society (IMPACS), a Vancouver-based NGO.

Funds Invested: For the fiscal year 2004/05 and 2005/06, CIDA disbursed C\$1.6 million of the C\$2.1 million Phase II project. Multilateral Branch invested C\$700,000 on a prior Phase I project with IMPACS.

Purpose of the Project: to increase the technical capacity and journalistic skills of women and support the development of women's media, using community radio.

Expected Outcomes

- Improved capacity of women to broadcast radio programs addressing the most pertinent issues for women;
- Support to community-based radio stations;
- Contribution to the development of media legislation in Afghanistan; and
- Promotion of the integration of Afghan journalists into the regional network of journalists in South Asia.

Results Achieved

- Of the 60 radio programs planned, only 34 were produced. (56%)
- Over 75 adults (mainly women) have been trained, with approximately 56% of these working in the Afghanistan media.
- The launching of four radio stations and one newspaper.

Financial Accountability

CIDA signed a contribution agreement with IMPACS on October 29, 2003 for \$2 million for a project aimed at supporting the development of free media in Afghanistan. The project which was supposed to be in effect until August 31, 2005, was later amended for an extension to January 31, 2006 and a budget increase of C\$100,000. At the request of CIDA Financial Compliance Unit, an initial visit was carried out in February 2004 to review the terms and conditions of the agreement, to examine the internal control system in place and to clarify CIDA's expectations with regard to financial reporting. An evaluation of the project was conducted in April-May 2005 and the final version of the report was released in September 2005. The report raised concerns about the financial management and records maintained at the radio stations level and suggested that these "be externally audited every year".

The recipient, as required by the contribution agreement, produced quarterly Annual and Final Financial Reports. Variances between forecast and actual expenditures were explained in the narrative report or in the transmittal letter when appropriate. Reporting in general was improved as a result of the evaluation. Considering the context in Afghanistan and the inexperience of the recipient, CIDA has exercised appropriate due diligence on funds invested in this project.

General Assessment³¹

In setting up the radio stations, IMPACS failed to provide adequate and appropriate capacity building in planning, technical assistance and training so that these stations could become financially and managerial self sustainable, and legally constituted under Afghanistan law. There was a lack of understanding of what was required in a fully sustainable radio station besides its media product/service. After the project ended, a US NGO (InterNews) integrated them into their community radio program. As well, the overhead costs were high: community radio programming and associated capacity development are generally much lower in cost per station. IMPACS did not sufficiently use the international best practices in community radio projects.³²

This finding reinforces the need to ensure that NGOs funded to work in Afghanistan have substantial experience in working in a post conflict country, in development project design and implementation, and strong financial reporting systems.

³¹ Isla Paterson, "Support to the Development of Free Media in Afghanistan Project: Final Evaluation Report", September, 2005

³² For example, UNESCO, "How to do Community Radio", September, 2002, and readily available on the Internet.

4.1.12 Western Basins Water Resources Project

The Western Basins Water Resources project with the Asian Development Bank (ADB) will rehabilitate and upgrade existing irrigations systems in the provinces of Badgis, Ghowr, and Herat in Western Afghanistan. The Ministry of Energy and Water (MEW) is the primary GoA partner.

In 2004/05 with a grant of C\$1 million, CIDA co-financed the feasibility studies for the project: the “Hari Rud River Basin Study”. These studies (12 components, including a gender analysis) have been completed, and are comprehensive and professional.³³

Funds invested: C\$15 million co-financing grant (budget) to the ADB, FY 2005/06 to FY 2007/08. ADB is contributing US\$14.5 as a grant, and US\$60.5 million as a loan. The loan agreement was signed in March 2006. Disbursements for this initiative for the review period were C\$10 million.

Purpose of the Project: This project will improve rural livelihoods for 400,000 persons, most of who are now classified as poor or very poor.

Expected Outcomes

- Improved water management;
- Irrigation and water resources infrastructure;
- Increased agricultural productivity and rural livelihoods; and
- Stronger institutions for water resource management and irrigated agriculture.

Activities include: water management training for farmers, income generating opportunities for women and landless farmers, women’s participation in water resources management, as well as establishing an effective river basin organization to manage and distribute the water on a sustainable basis.

General assessment

Slow decision making by the government has been problematic. After considerable delays, requiring the placement of an advisor in MEW, the GoA approval of the Request for Proposals for the implementation consultant is expected within the next few weeks. After proposal submissions and the selection of the implementation consultant, the Inception Mission is scheduled for mid 2007 and CIDA will participate.

Since implementation has been delayed, the project has not yet produced any results. CIDA has closely tracked the progress of the project’s start-up.

4.1.13 Equality between Women and Men

There are a host of issues relating to equality between women and men to be addressed in Afghanistan³⁴. It is acknowledged by a representative of the GoA that their government has a

³³ Available on the ADB website: www.adb.org

poor record on equality between women and men and a long way to go to improve the situation. While the Afghanistan National Development Strategy (ANDS 2006) incorporates equality between women and men issues and there is now a Ministry of Women's Affairs (MOWA), improving women's rights - particularly for rural and poorer women - may take decades in terms of both cultural and institutional reform. But there are encouraging signs according to the recent survey by the Asia Foundation. Perceptions about some aspects of equality between women and men are changing for the better. In response to the question "some people say that women should have equal opportunities to men in education: do you agree or disagree?" 59% agreed strongly and 33 % agreed somewhat .On equal voting rights for women, 67 % agreed strongly and 32 % agreed somewhat.³⁵

Summary of the CIDA Program and Results in Equality between women and men

There are already known examples of results in equality between women and men in the sense of reaching large numbers of women: for example, the significant percentage (more than 70%) of women clients in MISFA, and women's participation in the Community Development Councils in the NSP. In reviewing all the major CIDA supported projects, the most positive results on a significant scale tend to be within the ARTF/World Bank and related MRRD managed programs (MISFA and NSP). In comparison, the equality between women and men results in UNDP managed programs are relatively unknown partly because its reporting on equality between women and men is weak as discussed further below.

Mainstreaming and funding on a significant scale to equality between women and men specific projects began in 2006. In mid 2006, partly based on recommendations after a scoping mission, CIDA restructured its strategy in Afghanistan to include the Role of Women and Girls in Society as one of its three strategic sectors; the two others are Democratic Development and Effective Governance, and Rural Livelihoods. A strategy on equality between women and men is in draft form with three interlinked elements: girl's education, economic livelihoods and human rights. A Gender Working Group was formed in 2006 but has had little time to meet given the workload with communications and daily Program demands in particular, as described elsewhere in the Report.

In the human rights element of the strategy, the Women's Rights in Afghanistan Fund (WRAF), implemented by Montreal-based Rights and Democracy (R&D), was one of the few equality between women and men-specific projects undertaken so far. An evaluation of this project found that, while there were some successes, there were no significant organizational development results and the reporting was very weak.³⁶ The final report on the first phase submitted by R&D in January 2007 did not provide much insight on the implementation challenges and how these could feasibly be addressed in future.

³⁴ As detailed for example in the following: CIDA, "Working Towards the Advancement of Women and Equality between women and men in Afghanistan; Report of the equality between women and men Scoping Mission" (Afghanistan Program), June 2006

World Bank, "Afghanistan – National Reconstruction and Poverty Reduction – the Role of Women in Afghanistan's Future", 2005.

³⁵ The Asia Foundation, Op Cit.

³⁶ I. Paterson, "Final Assessment Report: WRAF", Vol. 1 & 2, May 2006

Another gender-related CIDA project, Media Support implemented by IMPACS, is reviewed in the overall project results section of this Report.

Below is an overview of the larger CIDA supported equality between women and men initiatives in process and progress to date:

Recently approved, the C\$15 million Girls Primary Education Project to establish 4000 schools is being implemented by BRAC through a Contribution Agreement with BRAC and involving the Ministry of Education. Given that BRAC has outstanding and recognized experience in delivering results in primary education for girls,³⁷ and that the Ministry of Education is considered as having one of the best Ministers, there is a high probability that this project will improve access to quality education for girls. Choosing an experienced partner such as BRAC would appear to be a sound decision.

In terms of the economic livelihoods component, the initiatives are just starting. A new CARE/WUSC project will transform a 10-year old food aid project to destitute women in Kabul into a vocational training/micro business development program based on a model WUSC has used in Sri Lanka. The previous phase of this project (2001-2006) implemented by CARE received \$ 15.5 million from Multilateral Branch.

In the human rights element of the strategy, the main project under consideration is a second phase of the Women's Rights in Afghanistan Fund (WRAF) implemented by Rights and Democracy (R&D) based in Montreal.

A CIDA education mission was recently in the field to explore other investments such as potential support to the World Bank designed Education Quality Improvement Program, and assistance with the National Education Plan.

Mention must also be made of the resource person CIDA has provided as a technical advisor to the Ministry of the Interior. This resource has significant knowledge on tackling gender issues, police reform, and institutional and donor programming realities. Her work has focused on guiding reform, for example, in the effective use of women police officers, establishing family violence units, and posting women police officers in parks and schools.

Given the large proportion of CIDA funding through the UNDP, in late 2005 CIDA commissioned a desk review of the quality and extent of equality between women and men components in the nine UNDP projects CIDA was currently supporting. The desk review found the equality between women and men elements to be very weak and subsequently conducted discussions with the UNDP both in Kabul and New York. The outcomes of these discussions are not yet clear, and the CIDA Afghanistan Program has not devoted the required time to address these reporting challenges experienced with this UNDP project.

³⁷ CIDA along with other donors has substantially funded BRAC's large non-formal primary education program (now 35,000 schools) in Bangladesh for over 20 years. The curriculum has substantial equality between women and men content, and at minimum 70 % of the students must be girls.

After the CIDA desk review, the subsequent scoping mission recommended that CIDA not directly support the Ministry of Women's Affairs (MOWA). Weak leadership and the common capacity weaknesses in many ministries led CIDA to this conclusion. Nine other donors (lead agency UNIFEM) were already supporting MOWA and expressed frustration with the progress. A new minister of MOWA, who visited Canada in 2006, presented a proposal to CIDA to fund via the UNDP a project to promote equality between women and men capacity within the public sector. An internal CIDA analysis concluded that the proposal is too ambitious. CIDA is currently reviewing potential support to a portion of this proposal.

Other Evaluations on equality between women and men Programming

There are many equality between women and men reports and equality between women and men "talk" (as one informant said). A brief review of two other donor evaluations³⁸ point to acute challenges – both in Afghanistan and within donor agencies. Relevant findings from these reports are:

- The Gender Advisory Group (of donors and the GoA) is not very effective and donor coordination is weak;
- Norwegian NGOs understand the importance of equality between women and men; however, "there is a lack of institutional competence about how to go about this work in relation to specific projects"; and
- Identify a few basic objectives to foster women's participation (i.e. keep it simple).

General Assessment

Focused CIDA programming in equality between women and men, with a strategy and timeframe, is in its early stages. Earlier gender specific projects (now completed) have had mixed results. With much more understanding of the issues and the terrain, CIDA is moving, to some extent, towards working with more experienced and capable partners.

4.2 Use of Funds and Accountability Framework

4.2.1 Use of funds

All major projects or initiatives on the Afghanistan Program, with disbursements of \$1 million or more for the period covered by the Review, are reflected in the *Annex 2*. For each project, it is indicated which funding channel was used, and whether the funds were transferred using a grant or a contribution agreement. Projects are also categorized by sectors. The projects for which disbursements were less than \$1 million are grouped under a separate line. The total disbursement for the review period (i.e. from April 2004 to January 31, 2007) was \$285 million.

³⁸DevTech Systems Inc., "OTI Afghanistan Program Evaluation (2001-2005): Gender Initiatives and Impacts", October 2005. For USAID. Norwegian Institute for Urban and Regional Research with partners, "Evaluation of the 'Strategy for Women and Equality between women and men in Development Cooperation (1997-2005)'", November 2005. For NORAD and the Norwegian Ministry Foreign Affairs. Chapter 5 includes a case study on Afghanistan.

Our review of the numerous reports related to the 12 projects examined from various credible sources and partners confirmed that Program funds have been used for intended purposes as outlined in the RRMAF. Indeed, based on:

- the planned budget allocation, and
- our analysis of financial and activity reports submitted by the World Bank, United Nations Organizations, implementing partners, CIDA monitoring reports and Joint donors evaluation reports.

We conclude that the Afghanistan funds were generally spent for the intended purposes. In addition, audit reports of projects examined by the Auditor General of Afghanistan attested to the fairness of information presented in the financial statements produced by implementing partners

4.2.2 General Accountability Framework

One of the objectives of this review was to review the accountability framework used by the CIDA Afghanistan Program/Desk and its partners in order to assess the adequacy of controls over the use of project funds.

The Review Team examined the adequacy of the oversight mechanisms used by CIDA and its Partners, as part of the accountability regime. There are four categories:

- i) CIDA corporate accountability;
- ii) Afghanistan Program oversight;
- iii) Oversight at the level of multilateral partners, and
- iv) Oversight at the Donor/Partner Country Level - The Joint Coordination and Monitoring Board (JCMB).

4.2.2.1 CIDA corporate accountability (audit and evaluation)

At the Corporate level, CIDA has Evaluation and Internal Audit policies in place. Independent audits of CIDA programs are periodically conducted by the Internal Audit Division and reported to the Audit Committee (AC), which includes non-CIDA members and is chaired by CIDA's President. Independent Evaluations and Reviews of programs are conducted by the Evaluation Division and reported to the Evaluation Committee (EC), which meets on a regular basis to review, discuss and follow-up on corporate issues. This Review of the Afghanistan Program was part of the approved annual Evaluation Plan, and will be presented to the Evaluation Committee for review and approval for public release.

4.2.2.2 Afghanistan Program Oversight

The Afghanistan Program has access to the following tools to assist it in ensuring that funds are used for the intended purposes:

a) Financial audits of contribution agreements are regularly conducted by the CIDA Financial Compliance Unit of Human Resources and Corporate Services Branch. The Unit is

responsible to assess whether funds transferred to the recipient are used in compliance with the terms of the agreement. CIDA proceeds with a two-step approach: an initial visit to the new CIDA partner to explain the terms and conditions of the CIDA agreement and reporting requirements, followed by a financial audit of the contribution on site a year later. Among the projects selected by the Review, the Unit conducted financial audits on 2 of the 12 projects examined as required in the criteria outlined in the Agency cost audit policy.

b) Afghanistan Desk-led evaluations: CIDA reinforces its oversight with the periodic use of external Consultants to conduct Desk-commissioned evaluations of its projects. In the Afghanistan Program, third-party evaluations have been done on 3 projects: the NABDP, the Support to the Development of Free Media, and the Rights and Democracy projects.

c) Monitoring by CIDA HQ and Field staff: This oversight mechanism is used by CIDA HQ and Field staff to follow-up on project activities during their implementation. In addition to periodic field visits to project sites by Program staff and periodic reports from implementing partners, the Program is supported by external CIDA Monitors, (a team of two independent consultants hired by the Afghanistan Program to provide information on the progress of projects that make up the program at six-month intervals). The reports of the Monitors are based on clear TORs, and provide adequate and detailed information to CIDA program managers on progress in terms of results and funds used for intended purposes. Significant issues are also highlighted. These reports are subject to a challenge process by the Afghanistan Program staff. The Program has benefited from 3 such reports from the Monitors to date.

A good example of project monitoring exercised by the HQ and field staff is the Afghanistan Stabilization Program (ASP). In March 2005, CIDA made a grant of C\$12 million to the ARTF for the purpose of co-financing the Afghanistan Stabilization Program (ASP). The total value of the project was estimated at US\$239 million and other major donors included U.K. U.S. and Japan. During the summer of 2005, the WB identified management problems, slow progress and other issues that were later confirmed in a DfID Interim Assessment and Audit.

The due diligence exercised by the CIDA was particularly valuable for the ASP project. At the Program's request, the CIDA \$12 million was held in a secure financial environment within the Trust Fund. CIDA was able to redirect the funds to other efficient WB's projects, namely NSP and MISFA, also funded through the ARTF.

In our review of Program documentation, the Review team noted some areas for improvement. In order to facilitate due diligence and decision-making by Program staff, the Program needs to ensure that monitoring reports include the following types of information:

- Financial and development results presented in a cumulative fashion i.e. include the trends and relative progression between monitoring periods with variance analysis when possible;
- Measurement of the progress on a periodic basis for each major initiative; and
- Recommendations on necessary corrective actions clearly laid out.

Our review of Program documentation also revealed that monitoring and intelligence gathering activities performed by staff could be documented on a more systematic basis to facilitate the Program to build and maintain a corporate memory for knowledge sharing and use in subsequent decision-making (e.g. mission reports, annotated reports received by CIDA's partners, etc.).

4.2.2.3 Oversight by Multilateral Partners

As mentioned in the previous section, the majority (more than 80%) of the funding for the Afghanistan Program is channelled through the WB and UN Agencies as grants for the benefit of National Programs with the GoA as the implementers. Grants are used as the transfer instrument because these partners are experienced and well known to CIDA. The appropriateness of reports received by CIDA's partners and the actions taken to follow-up on the recommendations were reviewed.

For each transfer of funds to International Institutions that we examined, there was an official agreement or a modification to the agreement. Agreements contained a clause requiring the recipient organisation to produce an annual report on activities and annual financial statements. In addition, the WB agreement specifies the requirement to prepare quarterly report on its activities, including disbursements made out of the grant funds.

a) World Bank Trust Fund

All CIDA funds disbursed to the WB are transferred to the Afghanistan Reconstruction Trust Fund (ARTF). The Fund was established in May 2002 to serve as a coordinated financing mechanism for the GoA budget support (the Recurrent Cost Window) and for priority reconstruction programs and projects (the Investment Window).

Since commencing operations, the ARTF has successfully mobilized US\$1.36 billion in grant contributions from 25 bilateral donors and is the primary instrument for financing the civilian operating budget. Canada's contribution represents about 10 % of all contributions and ranks fifth among all donors. For the three years period covered by the Review, CIDA has contributed C\$139 million in grants to the Fund, which represents about 50 % of the total CIDA Afghanistan disbursements.

Governance Structure and Oversight: The size of funds made available, the large number of donors involved, and the political importance attached to the success of donor support to Afghanistan, has meant that the governance of the ARTF has been of particular importance. A multi-layered and multi-dimensional governance system was put in place to provide assurance that funds going to the ARTF are used for the intended purpose.

ARTF Administrator: As the Administrator of the ARTF, the World Bank regularly monitors the utilisation of funds in all ARTF components and is responsible for all disbursements, in conformity with its own procedures. The World Bank provides an annual report to donors with a management assertion, together with an attestation from the Bank's external auditors, on the satisfactory performance of the procedures and controls used by the Bank in administering the ARTF.

Management Committee (MC): A Management Committee (MC) consisting of representatives from the Asian Development Bank (ADB), the Islamic Development Bank (IDB), the United Nations Development Program, and the World Bank oversees the ARTF. A representative of the GoA attends meetings as an observer. Meeting on a roughly quarterly basis, the MC is responsible for reviewing progress against agreed recommendations and for making key management decisions. These latter include the approval of investment projects proposed for ARTF funding and of expenses eligible for reimbursement under the Recurrent Window.

Steering Committee (SC): The Steering Committee (or Donors Meeting) is made up of the MC members, all donors contributing more than US\$5 million per year, plus two seats for smaller donors on a rotational basis. The Donors Meeting is held on a quarterly basis, and provides a forum for updating donors on the status of activities, with a focus largely on administrative and performance matters.

Monitoring Agent (MA): The World Bank is also supported by an external Monitoring Agent (MA), a competitively contracted management and accounting firm, (currently PriceWaterhouseCoopers), which monitors and reviews disbursements, payments, accounting and reporting. The MA is charged with the provision of information for a variety of oversight tasks, including but not limited to:

- providing timely reviews of withdrawal applications to World Bank;
- screening GoA withdrawal applications for consistency with grant agreement and eligibility criteria;
- monitoring expenditures of ARTF to ensure that they are disbursed for designated purposes; and
- working with MoF to ensure that rules for eligibility are widely understood.

Internal Audit Department: As the ARTF Administrator, the World Bank request its Internal Audit Department to conduct audits of the ARTF. Results of the internal audit are shared in summary form within the MC, where issues arising are discussed and agreements reached on required actions. The Administrator subsequently shares with donors the principal issues raised in the internal audit and the MC's decisions.

Assessment of WB Oversight Mechanisms

CIDA's projects funded through the WB are generally well documented and have good controls mechanisms in place to ensure that funds transferred to the projects are used for the intended purpose. All funds received from donors are deposited in a unique Trust Fund administrated by a good governance structure (Administrator, Management Committee, Steering Committee). An independent oversight Monitoring Agent (PriceWaterhouseCoopers) examines recurrent cost expenditures (GoA Budget Support), based on established criteria, to ensure that only eligible expenses are paid by the Trust Fund.

Progress and annual reports prepared by the Bank are usually quite comprehensive and include valuable financial information. They are usually published on the WB web site and

automatically distributed to country donors. Considering the size of investment projects and the number of donors, evaluations performed on projects usually involve many donors, are transparent, reports are widely published when received and results/issues are discussed by the Steering Committee. If an external audit is carried out on one of the projects financed by the WB, the report is made available to donors.

b) Projects through UN Organizations

All CIDA grant agreements signed with UN organizations contain a standard clause requiring that an annual report on activities undertaken and progress achieved in relation to the activities, as well as annual financial statements showing project expenditures are to be provided to CIDA.

The UNDP National Execution Guideline, which defines and clarifies UNDP's overall policies and procedures and provides practical steps on how to best apply national execution in the country, provides good description of the Financial Management System, payment modalities for expenditures and financial reporting requirements. The Guide indicates that the UNDP financial system has the capability to report revenues and expenses by donor country.

As the UNDP works on a project basis, different implementing partners implement each of them. There are variations from one project to another. Some have better reporting than others. We found projects where reports contain tables showing expenditures broken down by activity and by donors, while for other projects there was no information on expenditures.

The Review Team found occurrences where funds were withheld by CIDA, because there was not enough information received on project progress from the UN implementing institution. In one case, a letter requesting additional funding was later received from the institution and indicated where the CIDA previous year funds were used or disbursed to which implementing partner.

Assessment of Oversight Through UN Organizations

Projects funded through UNDP or other UN organizations show inconsistencies in the type and quality of information reported by different UN organizations. Our examination of existing documentation for UN projects demonstrates that, in general, the project-planning phase is well documented, but little documentation exists to support the execution and monitoring phase. Common problems include:

- More focus on activities than outcome and results;
- Vague executive summaries, omitting which parts of the program are working well versus which are not and steps being taken to address the problems; and
- Limited financial data and where it exists, the focus is more on donor contributions than project actual expenditures.

Oversight Mechanism at the Donor/Partner Country Level

The GoA and the international community have established a Joint Coordination and Monitoring Board (the JCMB) for the implementation of the Afghanistan Compact. The JCMB is co-chaired by a senior GoA official appointed by the President and the Special Representative of the UN Secretary General for Afghanistan, with participation of senior GoA officials and representatives of the international community, and supported by a small Secretariat and experts. It meets on a semi-annual basis and ensures coherence of efforts by both the GoA and the international community to implement the Compact, including providing regular and timely public reports on its execution. The JCMB receives input for its assessment from Afghan state institutions and sectoral coordination mechanisms involved in implementation of the ANDS as well as the international community.

In addition to progress on the policy and sectoral indicators in the Compact, the JCMB also looks at the financial aspects. The JCMB issues semi-annual reports, which are published on the GoA Website. The reports are balanced and informative.

c) Projects Funded Directly by CIDA

For projects directly funded by CIDA, a contribution agreement was used as the transfer instrument to specify conditions for payment to the recipient and to describe the project LFA, budget and reporting requirements. All agreements contain a clause allowing CIDA to conduct an audit, where necessary. For one project selected, an initial visit was carried out to a new Executing Agency to ensure that the recipient is capable of producing adequate financial information that meets CIDA requirements. The report presented numerous recommendations that resulted in an amendment to the contribution agreement.

4.2.3 General Assessment of the Accountability Framework

An appropriate accountability framework is in place and being followed to ensure that funds are being used for the intended purpose.

In order to be more effective and efficient and avoid duplication of controls, most of the Donors, including CIDA, decided to work together in the spirit of the Paris declaration and according to the commitments made during the international conferences. The idea was to support Afghanistan by using international multilateral organizations such as the World Bank and UN Organizations. These international organizations have their own infrastructure including control and oversight mechanisms. Our review confirmed the existence and the use of these independent and objective oversight mechanisms. The reporting was providing sufficient information to support CIDA's accountability vis-à-vis the Parliament and the Canadian public.

Our analysis of the Program accountability framework confirmed the existence of various tools and oversight mechanisms (e.g. internal audit, Desk-led evaluations, financial audits, and monitoring) that provide the required information for decision-making and accountability purposes. Our analysis also confirmed that the Afghanistan Program has used these tools to

complement its own internal control mechanisms such as: monitoring missions of HQ staff, intelligence gathering from the field staff, due diligence exercised in the selection of Partners, etc. With regard to risk management, we observed that mitigation actions were taken by management to minimize financial risks (e.g. working in conjunction with donor community and multilateral organizations that have good track record and infrastructure on site) and operational risks (e.g. working closely with DND with regard to security measures to protect CIDA's field staff and its partners and adhering to standard operating security procedures).

In summary, appropriate oversight mechanisms exist and the level and quality of information provided allowed CIDA to protect its contribution and obtain information about the use of funds and results achieved. However, our review revealed that the reporting related to projects managed by UNDP need to be improved to fully meet CIDA's requirements.

5.0 OVERALL ASSESSMENT AND CONCLUSIONS

Our assessment and comments are based on an examination of 12 of the 27 projects in CIDA's bilateral Afghanistan Program, for which disbursements cover roughly 73% of the \$285 million spent during the period.

For most of the projects, CIDA is one of many donors (*Annex 7*), albeit an important one. As agreed in high level Consultative Group meetings between the Government of Afghanistan (GoA) and donor countries starting in 2001, CIDA has coordinated and "pooled" its funding with other donors in its programming to support the GoA's efforts. Consequently, in most cases, one can assume a proportion of the outcome is due to the Canadian contribution.

5.1 Program Management

Overall, the CIDA Program has demonstrated good flexibility in being able to adjust to the changing situation and needs of Afghanistan. More recently, the addition of the Kandahar component to the mix fills a gap at the provincial level that was not being addressed by the national programs. As the findings from previous evaluations show, project-based funding when used selectively can effectively complement and reach areas and groups of people that are "hard to reach" through national programs for reasons of remoteness or special needs. CIDA's efforts are intended to help support the roll out of the national program to Kandahar.

CIDA staff have, for the most part, made good investment decisions on the choice of initiatives and implementing partners in such a complex and demanding environment. The Program represents a good mix of national multi-donor initiatives through the WB/UNDP, complemented with some smaller bilaterally-directed initiatives funded through Canadian and international non-state actors. Given the significant variation in the capabilities of the Afghan ministries to deliver development to the people, CIDA has invested most of its resources in projects involving the better performing ministries. In the cases where the investments were not performing, Program staff have taken the necessary corrective action such as stopping disbursement, and /or re-investing the funds in better performing initiatives.

The joint, “pooled” approach is an effective way of achieving results in Afghanistan, reflecting the shift in the approach of international development programs to building the institutional/organizational capacity of public, private and civil sector organizations to collectively deliver results as a best practice.

Given the high profile of Canada’s involvement in Afghanistan, especially since the deployment of Canadian troops and the periodic reporting of troop fatalities, there has been a very high level of interest among Canadians. Commensurately, with the growth of funding through CIDA, staff on the CIDA Afghanistan Program have been spending a significant portion of their time focusing on meeting the demand for information from various sources. This has been a real challenge, resulting in less time devoted to the substance of development programming and monitoring of progress. With the recent acquisition of additional staff resources, this is an area where improvements can be made.

5.2 Progress on Building a Stable State

As mentioned in Section 2.2, the overall goal of the Afghanistan Program is to support the efforts of the Afghan government, the Afghan people and the international community in stabilizing Afghanistan through the consolidation of the GoA’s authority and legitimacy across the nation, and through improvements in the people’s well being.

About half of the twelve projects selected for this review were designed to quickly roll-out State’s services in provincial and rural areas as the projects were developed to assure the population that the new central government was functioning and able to provide services. Since, historically, the state has never had a significant presence in rural areas, this goal is a profound challenge for the Afghanistan government.

The Review Team recognizes that Afghanistan is still in the very early stages of the process of building a democratic, functional and stable state, where the population has confidence and trust in the government and where the government, in turn, can provide the services needed by its people to improve their well being needed to uphold and sustain this confidence and trust. We are, however, seeing encouraging early signs of progress in this direction on several fronts.

Meaningful Advances:

A 2006 national survey³⁹ of the views of Afghans about their country reveals a complex mix of both positive and pessimistic perceptions, some progress, some decline in progress, and overall a frankness that identifies challenges for both the government and donors.

Among Afghans surveyed, twice as many (44%) felt their country was heading in the right direction compared with those who felt the opposite (21 %). For those who said the country was heading in the right direction, the main factors were: good security; peace/end of war, and disarmament. When asked to compare their current “prosperity” to that under the Taliban

³⁹ Asia Foundation, op cit.

regime, 54 % of respondents felt it had increased versus 26 % who believed their family was less prosperous.

A big part of the credit has to go to the people and government of Afghanistan, whose ownership, leadership, and commitment to work with the international community to implement initiatives in a financially accountable and responsible manner. Credit also has to go to the assistance provided by the international community, which has provided roughly 90% of the development resources needed, with Canada contributing a significant part of these resources.

The quality of this assistance and its contributions to the longer term objective of state building in Afghanistan, (the essential objective of CIDA, other donors and the GoA⁴⁰), can be illustrated by the four major multi-donor projects in terms of their form, reach, results and relevance as indicated below:

- **Form:** most of the assistance has been provided in a form that allows the GoA to make good use of it in terms of strengthening the capacity of the national government machinery while providing the necessary services to its people. Operating Budget Support through the ARTF, NSP, MISFA and NABDP are all projects that are or were implemented by GoA ministries. The Ministry of Finance is centrally involved in all these projects, the MRRD currently implements NSP and NABDP, and originally implemented MISFA before it was set up as an independent company in mid 2006.
- **Reach:** most of the initiatives supported are national in scope, reaching many of the 34 provinces. They also reach the community level, where they engage the local people through the CDCs that decide and provide information upwards to higher levels of government about priority needs for funding, including the design of new initiatives. These projects are: Budgetary Support to the GoA (national and local levels); MISFA (national and local level financial institutions); NSP (community level); and NABDP (Provincial and district levels).
- **Results:** On the Governance side, strengthening institutions at the national (Parliament) and at lower levels (e.g. CDCs) etc are helping to lay the foundations for democratic institutions.
- **Relevance:** most of the assistance has been consistent with the needs of Afghanistan, as articulated in the ANDS and the Afghanistan Compact. Investments in areas such as elections support, micro finance, improved governance, community development and others are critical to help move Afghanistan towards a stable state.

⁴⁰ State building rather than short-term “government” building is the appropriate term. The current Afghan government and its successors require an effective state comprised of a capable, well managed public service and military set within effective and legitimate democratic institutions, norms, laws and regulations to govern and promote development and security. In essence, donor support to Afghanistan is a tough, large experiment in political development, in a country whose rural areas are still quite feudal, and where the state is under siege from external extremists. This struggle is no small task. Progress in Afghanistan in a short few years has to be put within the context of a much longer, ongoing, largely internal political development struggle, as well as in the context of the region and neighboring countries such as Pakistan, Nepal, Bangladesh, Sri Lanka and India.

Challenges Ahead:

This is not to say that all is well. Afghanistan is a nascent democracy, and there are formidable challenges ahead. In the survey responses, Afghans identified the biggest problems at the national level as security (20 %), unemployment (12%), the poor economy (12%), the presence of the Taliban (12 %), and Warlords (10 %). When asked about concerns of, 77 % saw it as a major problem, 66 % saw it as a problem in provincial government and 42 % said corruption was a major problem in their daily lives. About 60 % believed that corruption had increased at the national level in the last year while about 50 % felt that it had increased at the provincial level.

In terms of state building, the long-term challenge of building local capacity is a cautionary note sounded in several of the reports as many of the ministries, including MRRD, are dependent on substantial expatriate technical assistance, including the returnee Afghan Diaspora. These collectively number in the hundreds in some ministries. Many of these persons will only come if there is a risk premium included in their fees. There is a rich literature and local commentary on the inequities and “fairness” of the salaries paid to foreign and Afghan returnees, compared to the salaries of average public servants, and concerns that in some cases performance does not match the cost. Initial intentions that foreign advisors would advise, coach or mentor their local counterparts. The reality is that there were few proficient Afghan public servants left at the middle and upper levels to be coached to establish an effective and functioning state. The advisors became implementers. Hence, ongoing capacity development and associated institutional Afghan leadership are at the core of the challenges in state building.

An important indicator of progress in state capacity would be the reduction over time of the number of foreign and expatriate Afghans on contract. However, there is little data on the total “map” of foreign and Afghan expatriate involvement in the many organizations and ministries, at the national, provincial and district levels of government. Mapping the current numbers and role of these personnel would provide a baseline for an indicator of dependence on outsiders – and indirectly a rough measure of progress in building local capacity.

5.3 Results at the Level of Initiatives

Although many of the investments of the CIDA Afghanistan Program are fairly recent and some are still in progress, the picture that emerges from our analysis is a favourable one: significant progress is being made towards the achievement of their objectives.

For example, among the 8 largest projects, which accounted for \$ 192 million, or 67 %, of the \$285 million disbursed by CIDA during the review period covered, 6 have significantly improved people’s lives:

- The ARTF, as a mechanism for providing Operating Budget Support to the GoA, has emerged as one of the key instruments for financing the country’s recurrent budget deficit until the GoA develops the capacity to do so. It supports the state at the national level in establishing its ability to fund public servant salaries down to the district level to deliver

services and gradually develop associated management capacity. Results to date indicate that the GoA is headed in the right direction with an increasing capacity to meet its recurrent budget - revenue collection in 2006 was 55% above the previous year.

- The MISFA project, in which CIDA is the leading contributor among 5 donors with \$37.0 million or 47.0% of the paid-in contributions, has established financially sustainable micro-finance institutions and provided credit and savings services to approximately 300,000 people, more than 72% of whom are women. This would appear to be on target to reach the GoA objective of 800,000 households by 2010. It may be worthwhile to recall that, historically, the formal financial sector was very limited outside of urban areas; and it hardly ever served the majority of citizens. MISFA has begun to substantially serve citizen and business savings and credit needs by developing a network of micro finance institutions (MFIs) – with emerging trends for some of them towards financial sustainability. While the reach of the MFIs is limited beyond Kabul and other urban areas, this program has been very successful in establishing independent financial institutions that are essential to livelihoods and effective governance.
- The NSP, in which CIDA is the second ranked contributor among donors, is the GoA's flagship program for strengthening community development, local governance, citizen participation and GoA legitimacy and credibility. It has created over 17,000 elected community development councils, which include women as members. It has reached more than 11.5 million people through community projects in 274 districts across most of the 34 provinces. NSP demonstrates that the state is actively involved in addressing needs at the community level through the establishment of democratically elected CDCs. The NSP is essentially grassroots democracy in action, fostering local empowerment and ownership. It starts with the local communities electing their leaders to form the CDCs, which provide a forum for community dialogue and ownership over development decisions at that level.
- The NABDP is beginning to develop the capacity at the provincial and district levels to serve broader regional needs, thus bridging the large gap between the central and community levels of governance. Some progress is reported at the district level; provincial level progress is much slower. District and Provincial level governance was the objective of the World Bank led Afghanistan Stabilization Program (ASP), which has essentially been suspended for poor performance as mentioned below.
- The Support to Elections project has helped to facilitate the participation of Afghan citizens and civil society in both Parliamentary and Provincial Council elections, witnessed by national and international observers. About 5,800 candidates (582 women) stood for election and 6.8 million persons voted. (51.5 % turnout, 43% women)
- The Mine Action Project, which succeeded in removing and destroying significant amounts of anti-personnel mines and reducing the numbers of mine-related deaths, has also cleared significant areas of land which were previously unusable.

- One project (the ASP), designed to improve the operations of provincial and district government has been less successful. At CIDA's request, the Agency's disbursement for this project still rests in a World Bank trust account, and was reallocated to MISFA and NSP.
- Another project in Western Afghanistan, designed to rehabilitate irrigation systems for small farmers, was slow getting off the ground and is just starting.

Among the remaining 19 smaller projects, some have had good results while others have had mixed results:

- Projects with good results include: support to hold presidential elections, de-mining, Making Budgets Work, and collecting and containing heavy weapons in a safe location.
- Those with weak results include the establishment of radio stations to provide literacy and educational services, and technical assistance to government ministries.
- More complex and challenging projects such as judicial reform, reintegrating former combatants, and developing the capacity of parliament have been slow in showing results.

5.4 Accountability Framework and Use of Funds

An appropriate accountability and management framework is in place and being used to ensure funds are being properly used for the intended purpose.

Based on information received and documents examined during the Review, the Afghanistan Program/Desk adheres to CIDA's Policy and Regulations, and has a good Management and Accountability Framework. Appropriate oversight mechanisms for control exist, and the level and quality of information provided by partners is adequate, to enable CIDA to exercise its due diligence during implementation and ensuring that funds were used for the intended purposes. Program Staff are challenged.

The due diligence exercised by CIDA with regard to projects implemented by Canadian NGOs, is more direct than with the multilateral partners as there are no other parties to consult with or to influence in order to make any adjustments. In addition, the accountability expectations in terms of reporting and monitoring are between CIDA and the Canadian NGO partner, which are in line with CIDA's needs in terms of RBM. However, this type of approach is time consuming for CIDA since the monitor works under the supervision of CIDA.

With regard to multilateral partners (World Bank and UN organizations), CIDA has influence through the agreements signed, which include precise commitments. Concerning initiatives with the World Bank, there is specific provision that donors will receive on an annual basis the external auditors reports on performance and controls used by the organization to administer the funds. In addition, CIDA also has influence through its participation as a member of the Donors Committee, which is responsible for overseeing and

supervising the performance of the World Bank Management Committee. The Donors Committee meets on a quarterly basis and provides guidance to the Management Committee on Grant Fund allocation strategies. With regard to UN organizations, CIDA is a member of project Steering Committees, which meets regularly to oversee progress and results achieved, and there is provision for CIDA to receive reports on progress achieved in relation to the project activities.

Our review of numerous reports from various independent sources and Partners confirmed that Program funds were used for intended purposes as outlined in the RRMAF. Indeed, based on the approved budget allocation, and our analysis of financial and activity reports submitted by the World Bank, United Nations Organizations, CIDA monitoring reports and Joint donors evaluation reports, we conclude that the Afghanistan funds were generally spent for intended purposes. Audit reports from the Auditor General of Afghanistan attested to the fairness of information presented in the financial statements produced by implementing partners.

Our analysis of the Program accountability framework confirmed the existence and the use of various oversight mechanisms (e.g. monitoring, audit, evaluation, financial audits, etc.). Most of them provide the required information for decision-making and for accountability purposes. CIDA independent corporate controls are in place and have been used.

Our review also confirmed that the Afghanistan Program management has been using its own internal oversight mechanisms such as monitoring missions of HQ staff, intelligence gathering from the field staff, due diligence exercise in the selection of Partners, etc.

In order to be more effective and efficient, most of the Donors decided to work together in the spirit of the Paris declaration and the Bonn international donors conference to support Afghanistan by using international multilateral organizations such as the World Banks and UN Organizations umbrella,). These international organizations have their own oversight mechanisms. Our review confirmed the existence and the use of these independent and objective control mechanisms. In the case of the World Bank, we found that the oversight mechanisms were adequate and that the reporting was providing sufficient information to support CIDA's accountability vis-à-vis the Parliament and the Canadian public.

6.0 IMPLEMENTATION CHALLENGES, LESSONS & RECOMMENDATIONS

6.1 Program Strategy

The needs of Afghanistan have been evolving since the inauguration of the provisional government in 2001, and Canada's involvement and strategy have had to keep pace with this evolution. Prior to, and including 2001, CIDA's focus was on Stabilization and Security as the Agency provided emergency and humanitarian assistance to meet the challenges of returning refugees, disarmament and de-mining operations.

Beginning in 2002, this emphasis broadened to include investments supporting the process of democratic governance such as the constitution, presidential and legislative elections, and institutions at the national level and the planning of national development programs.

In 2005/06, the effort broadened further toward reconstruction and development to more sustainable development programs across Afghanistan, including an emphasis on Kandahar Province to complement the efforts of broader Canadian involvement through other departments (i.e. the whole-of-government approach). The Canadian effort expanded with the Provincial Reconstruction Team in Kandahar, which seeks to provide a more secure environment under which development can take place in the province. The stabilization of Kandahar (and other southern provinces where other donors have PRTs) is critical to the success of Afghanistan's nation building. Yet this was not being realized, as the services provided through the GoA's national programs were not reaching the populations in these southern provinces on account of the complex interplay between insecurity, concerns of corruption and poppy cultivation in the southern parts of Afghanistan, which include Kandahar Province. Insufficient Afghan Security Forces could not provide the basic security needed for development.

In May 2006, there was a revision in the strategy. The new strategic framework, which is consistent with the Afghanistan Compact, includes the program in Kandahar and has a stronger emphasis on equality between women and men, and now includes the following 4 central components:

- Democratic Development and Effective Governance;
- Role of Women and Girls in Society;
- Sustainable Rural Livelihoods; and
- State Building and Stabilization, particularly in Kandahar.

The increased resources to the Program and inclusion of Kandahar add a different dynamic. Stabilization and reconstruction are different, but are connected and influence each other. With the combination of insecurity, the national programs not reaching the population, and the absence of capable local partners to design and implement initiatives, the risk of failure increases and development efforts become more of a trial and error experimentation of learning by doing. The inclusion of the PRT and the Canadian military increases the risk of casualties. The likelihood of non-concurrency on results expectations and measurement becomes a challenge, which will necessitate harmonization and agreement on the metrics for measuring success. There will be a great need and demand for achieving and demonstrating results. Clear and frequent communication messages will become critical.

Also, with the addition of the Kandahar component, the Afghanistan Program diversified from a largely "Program-based approach through Grants to multilateral organizations" toward a more complex mix of "program- and project-based approaches through a mix of Grants and Contributions to a variety of partners". This would require an increased level of effort from CIDA staff, and has implications for the staff resources devoted to the Program.

With regard to the Program strategy, the Review team identified the following lessons:

Lesson 1 (Flexibility in the Program Strategy)

In a rapidly evolving, unstable environment such as Afghanistan, it is important to maintain flexibility in the program strategy to be able to react quickly to unforeseen events and/or take advantage of emerging opportunities to address the recipient country's needs and achieve the stated objectives.

Lesson 2 (realistic expectations and risk tolerance)

In such an environment, it is not reasonable to expect that every initiative will succeed. It is also important to be realistic in the establishment of expected results, and have a level of risk tolerance that allows trial of new approaches to reach the long-term goal.

Lesson 3 (the importance of coordination and harmonization to manage the risks)

The Afghanistan experience highlights the importance for the Program to continue to coordinate and harmonize efforts with other Federal Departments (DFAIT, DND, RCMP and CSC) and other donors and multilateral partners in order to manage the very significant risks related to security, program operations and development results.

6.2 Choice of Initiatives and Partners (the National Program)

Initially there were very few NGOs established in Afghanistan, and many of those that did emerge had their roots in the large Afghan refugee communities in Pakistan. Few if any major Canadian NGOs had experience in Afghanistan. With some exceptions, CIDA declined to fund most of the unsolicited proposals.

Our interviews and analysis of the documents with regard to CIDA and donor community experience in Afghanistan revealed that the choice of Partners with a track record in states of crisis and insecure environments is crucial and recognized as a critical success factor. Some international organizations who lacked the in place infrastructure and experience to cope with the challenges of a hostile environment had to pull out.

For the most part, the Program made good choices of investments, initiatives and partners. They are in line with the Bonn, Berlin and Tokyo conferences and within the spirit of the Paris declaration i.e. working with the GoA by using the international multilateral delivery channel that has established infrastructures and experience in the field. Pooling most of the CIDA funds with other international partners to fund the GoA's National Programs through mechanisms such as the ARTF of the World Bank and UN organizations provides the needed predictability of funding for the GoA, helps to build the capacity of the GoA ministries and institutions, and optimizes the chances of achieving intended results while minimizing the accountability risks given the weak capacity of the GoA ministries.

Although not all of the 12 selected projects produced good development results, most did, including the largest through multilateral organizations as reported in section 4.1. In some cases, however, the timeliness and quality of reporting needed to be improved, as the development results were not always reported against established indicators. Our analysis revealed that in some cases: a) the Agency reporting requirements and needs were not sufficiently spelled out in the agreements signed; and/or b) non-compliance by Partners with the reporting clauses that already exist in these agreements was not flagged and followed-up with them for corrective measures and c) the analysis of these reports and follow-up actions were not systematically documented, probably on account of insufficient staff resources on the Program.

This highlights the importance of appropriate due diligence not only at the front end in the selection of the initiatives and partners, but also in the ongoing monitoring during delivery and implementation. This also highlights the importance of obtaining timely and pertinent information from implementing partners to make any necessary adjustments.

Lesson 4 (choice of experienced partners to minimize risks)

Working with multilateral partners, such as the WB and UN Organizations, which have infrastructure on the ground, the expertise and a proven track record to work in insecure environment, has proven to be a good way to optimize developmental results while minimizing the risks. However, even such experienced partners do not always succeed. It is therefore important to limit the extent to which organizations without experience in insecure environments are chosen as partners to implement initiatives.

Lesson 5 (selection criteria for partners and need to monitor progress closely)

With a flexible strategy, clear selection criteria up front for the choice of implementing partners is a critical success factor. Equally important is the need for the Program to monitor progress closely during implementation, even when well-known, experienced international partners such as Multilateral Organizations are involved.

Recommendation 1 (the need to strengthen monitoring and oversight)

a) CIDA reporting requirements were noted in existing agreements with partners. In order to allow Program staff to effectively monitor the initiatives implemented by its partners, the Program should ensure that the Agency's reporting requirements, with regard to financial information and progress on development results, are more clearly reflected in the agreements with its partners, and respected. In the case of multi-donor arrangements, such as with the Multilateral Organizations, CIDA will need to work with the other donors to ensure this happens.

b) In order to strengthen accountability for results and support knowledge building for future programming and decision making, monitoring activities performed by CIDA field and Headquarters (HQ) staff should be documented on a more systematic basis and include clear indications on progress, variance analysis of expenditures and development results on a

cumulative basis, identification of issues, lessons learned and follow-up actions taken. The Program may also want to consider providing staff with appropriate training in this area as needed.

6.3 Level of Human Resources (HR)

According to our interviews and review of documentation, the Program had difficulties to staff field positions with candidates with previous posting experience or experience in countries in a state of crisis and to retain them. The level of living conditions (e.g. Bed & Breakfast type with limited privacy) for Canadian Based Staff (CBS) coupled with: the insecurity aspects; the stressful living conditions; the fact that the overseas premium allocations are the same as those Least Developed Countries (LDCs) with a significantly higher and safer standard of living; and the fact that Afghanistan is an un-accompanied posting are major obstacles for recruiting and retaining staff. These suggest that the incentive package for the CBS needs to be reviewed in conjunction with DFAIT, Treasury Board Secretariat, and other appropriate central agencies.

Considering the magnitude, complexity and challenges of the Afghanistan Program and also the corresponding level of effort required to plan, implement and monitor such a Program we reviewed the allocation of human resources at Head Quarters and in the field.

6.3.1 Improvements made in staffing

The Program made significant improvement in increasing the number of staff to manage the Program and allow staff to devote more time to their core duties related to the planning, implementing and monitoring of projects. Following a request from Program management for additional HR in April 2006, there was a significant increase in staff resources in the fall of 2006. For example, the number of HR has been increased at HQ to cope with duties related to communication with CIDA stakeholders. New project officers have been added at HQ. Some staff has been added for the common services at HQ and others have been assigned to the field in the PRT and Airfield in Kandahar. The following table provides a picture of the progression of HR allocated to the Afghanistan Program, as of the end of February 2007.

Progression	2004-05	2005-06	2006-07
Core staff at HQ	5.95	9.05	19.45
Core staff in the field	4.00	9.00	13.00
Staff related to common services	2.31	4.15	9.22
Total staff	12.26	22.20	41.67

In the fall 2006, there was the creation of the Results and Accountability Unit (RAU), with 4 persons, to support the RBM framework of the Program and improve its ability to report on development results.

6.3.2 Areas for further improvement

Even with the improvements mentioned above that were made, additional resources may be needed to cope with the actual demands and level of effort.

In the Field - Aid Section

Our interviews revealed the difficulty of Canadian Based Staff (CBS) in the field to cope with the level of effort required to prepare, assist and follow-up with regard to the numerous meetings with the Donors and Partners in the field, which are most of the time high profile experts and require technical abilities and experience. In addition, the number of staff is not sufficient to cope with the level of effort required for activities related to intelligence gathering, analysis, various pro-active and follow-up actions vis-à-vis such a complex and significant Program.

In the Field - Program Support Unit (PSU)

The Program also had difficulties with its Program Support Unit (PSU) in the field. The PSU did not perform nor provide the expected services in terms of administrative, logistical and Program support (e.g. data collection for base line information, intelligence gathering, etc.). In addition, the PSU was not fully operational after mid 2006, when the former PSU Director finished his contract. Several positions have since remained vacant. This Unit will need to be re-operationalized to provide the AID section and HQ staff with the needed services to more effectively and efficiently implement and monitor the Program.

At CIDA HQ - the Results and Accountability Unit

With regard to the newly created “Results and Accountability Unit” (RAU) located at HQ, we found that this unit was not fully staffed and operational as of the end of January 2007. This Unit will be a key element in supporting Program Management in the areas of RBM, reporting of development results and knowledge sharing of lessons learned for their integration in the Programming cycle.

At CIDA HQ - Common Support Services

Additional support in this area is required from specialists such as Financial Management Advisors (FMA) in order to ensure, for example, adequate monitoring of highly complex financial and operational reports received from multilateral organizations. The following subsection deals with a benchmarking exercise with other Programs or states in crisis.

6.3.3 Benchmarking of Human Resources and other support services

In order to provide some indication about the adequacy of the actual level of HR and related support services dedicated to the Afghanistan Program, the Review Team performed a benchmarking exercise with other CIDA Programs dealing with states in crisis. *Annex 3* provides an analysis of the human and other support services resources available and allocated to the Afghanistan, compared to Iraq and Haiti Programs. For example, if we compare Afghanistan with Iraq, the Program in Afghanistan was managing twice (1.9) more the amount of budget per resource available than Iraq in 2004-05. The situation was normalized in 2006-07 i.e. the ratio was reduced to almost the same (1.1 to 1.0). Another

example was the fact the level of effort to manage Grant Agreements was 2.5 times more in Afghanistan than Iraq and 8.2 times more compared with Haiti. These ratios do not reflect the additional burden of communications and information demands on the Afghanistan Program

The Program strategy with regard to contracting is different in the Afghanistan, Iraq and Haiti Programs. In Afghanistan, an international commitment was taken to work with international multilateral organizations and therefore use more grant agreements. That type of agreement requires a different profile of CIDA staff to manage that type of arrangement. In addition, the monitoring is at a higher level and requires more expertise. Therefore, the Program needs to work together with experts such as Financial Management Advisors (FMAs) in order to ensure that the financial and operational reporting is in line with CIDA requirements. In the case of Afghanistan, the FMA resource was very limited, with 0.1 person compared to 1 full time FMA for Iraq. This lack of resource coupled with the high demand of information to the Afghanistan Program staff from stakeholders had an impact on the ability of staff to devote time to the monitoring of their Project portfolios.

In light of the above findings, the Review Team offers the following lessons and recommendations:

Lesson 6 (Recruiting & retaining staff)

The need for a Program to have experienced staff, in terms of specific competencies and profile, is crucial especially in an environment, which is highly insecure, with high staff rotation, and where the living conditions are extremely stressful. The living conditions of CIDA field staff in Afghanistan, coupled with the fact that the overseas premium allocations are the same as those LDC countries with a significantly higher and safer standard of living, are major obstacles for recruiting and retaining staff. Therefore, an adequate incentive package is a critical success factor with regard to staffing field personnel in fragile states or states in crisis.

Recommendation 2 (improve results tracking and reporting)

The recently created “Results and Accountability Unit” (RAU) at HQ needs to be fully operationalized to ensure the enhancement of the Results-Based Management (RBM) framework of the Program to allow management to improve its reporting of development results and knowledge sharing. This Unit would analyse the data and the information outlined in monitoring, evaluation and audit reports in order to extract results at the different levels (i.e. output, outcome and impact), lessons learned and actions to be taken for their integration into the programming cycle.

Recommendation 3 (strengthen field operations)

CIDA should strengthen its operations in the field in the following three areas:

a) Number of staff in the field

The Agency should give consideration to increasing the number of staff in Afghanistan in order to cope with the challenges and required level of effort needed to more effectively manage the Program (e.g. intelligence gathering, analysis, monitoring, various pro-active and follow-up actions and the numerous meetings with Donors representatives and GoA officials in the field).

b) Incentive package for Aid Section staff

CIDA should explore with DFAIT, TBS and other central agencies, as appropriate, options to enhance the field compensation package allowed by the Foreign Service Directives (FSD) in order to provide an enhanced incentive package (accommodation, overseas allowances, home leave, etc.), which better reflects the relative hardship level and security risks that staff face in countries of conflict/crisis such as Afghanistan. This would enable the Program to attract, hire and retain high quality experienced staff with the right profile.

c) Program Support Unit (PSU)

The PSU should be operationalized on a priority basis to provide the necessary assistance to the CIDA Program to implement its strategy in the most optimal manner. The roles and responsibilities of this unit (e.g. on site intelligence gathering, monitoring, sector analysis, data collection to establish base lines, logistical and administrative support, etc.) should be clearly defined.

7.0 ANNEXES

ANNEX 1 Summary of Afghanistan's Risks, Constraints & Challenges

Security:

- Ongoing insurgent attacks and coalition operations have slowed and in some cases, prevented programming.
- Insufficient Afghan Security Forces available to provide basic security.
- Focus on police reform is intended to improve local capacity to ensure security.

Absorptive capacity:

- There is a paucity of implementing agencies capable of executing projects. Many have either drawn-down or withdrawn their staff in the current environment
- This remains a perennial problem. CIDA is working with the UN and other such organizations to ensure programming takes place.

Weak Governance:

- Local Afghan administration is very rudimentary, rendering the identification of potential projects, which respond to immediate Afghan priorities problematic.
- Concerns that corruption can be endemic; public confidence is low. Tribal relations are critical
- The Agency is working through the Provincial Development Committees and District Development Assemblies to ensure CDN programming responds to Afghan identified needs. This process, while essential to ultimate success, invariably lengthens the timeframe for project implementation.
- CIDA is also seeking to improve their knowledge base.

CDN Capacity:

- While Canadian capacity to select, plan, implement, monitor, and evaluate projects is growing, it remains limited.
- An increase in project management capacity at the PRT, including through the deployment of CF technical and administrative personnel as well as additional civilian (CIDA) officers, is addressing this challenge.
- The capacity of local officers of international organizations (e.g. UN) has been harnessed to support project planning and delivery.

Financial administration and risk management:

- Accountability and risk management remain key challenges. In particular, the rules governing financial administration of Canadian funding are not conducive to operating efficiently in an insecure environment (e.g. tendering, sole-sourcing).
- CIDA is working with TBS and PWGSC to identify potential measures, which meet CDN accountability requirements but recognise the practical realities of working in Kandahar.
- The Agency is also exploring the application of Canada Fund Terms and Conditions to help address financial administrative issues.

ANNEX 2 CIDA's disbursements to Afghanistan

Projects with disbursements of \$1 million or more during the last 3 years (as of Jan 31, 2007)

					Disbursements in C\$ million			
Project No	Projects Title	Transfer instrument	Funding Channel or Partner	Current Budget	FY '004/05	FY '005/06	As of end Jan FY 2006/07	Total Disb
Budgetary Support								
A-032445	ARTF Operating Budget Support	G	World Bank	60.00	20.00	22.00	18.00	60.00
Rural Livelihoods and Social Protection								
A-32660/32209	National Solidarity Program 2005/09	G	World Bank	30.00	7.00	10.00	13.00	30.00
A-032234	Micro-finance Invest. Support Facility (MISFA)	G	World Bank	52.35	5.00	10.00	22.00	37.00
A-32609/32002	National Area Based Develop. (NABDP)	G	UNDP	18.75	6.00	3.00	6.10	15.10
A-032440	Afgha. Community Renewal Program (ACRP)	CA	AKF-C	7.00	0.00	1.25	0.50	1.75
A-32630	Integr. Alternative Livelihoods Prog. Kan. (IALP)		UNDP/MRRD	5.00	0.00	5.00	0.00	5.00
A-32194	Women's Rights Fund (WRFA)	CA	R & D	1.75	0.52	0.72	0.28	1.52
A-32600	Refugee Return & Integration	G	HCR	5.00	5.00	0.00	0.00	5.00
Natural Resources								
A-32170	ADB Hari Rud River Basin Study	CA	ADB	1.00	1.00	0.00	0.00	1.00
A-033143	Western Basins Water Resources	CA	ADB	15.00	0.00	10.00	0.00	10.00
Security and Rule of Law								
A-32446	Afghanistan Stabilization Program (ASP)	G	World Bank	45.00	12.00	0.00	0.00	12.00
A-032168	UN Mine Action National Dev. Budget	G	UNMAS	24.00	10.00	5.00	0.00	15.00
A-32597	Disarmament/Demobilization/Reintegration (DDR)	G	UNDP/UNAMA	6.50	6.50	0.00	0.00	6.50
A-32671	Ammunition Survey & Destruction (ASD)	G	UNDP/UNAMA	1.20	1.20	0.00	0.00	1.20
A-32431	Heavy Weapons Cantonment (HWC)	G	UNDP/UNAMA	1.20	1.20	0.00	0.00	1.20
A-032956	Disarming Illegal Armed Groups (DIAG)	G	UNDP	7.00	0.00	4.00	0.00	4.00
A-032995	A/P Mine & AMMO Stockpile Destruction		UNDP	7.00	0.00	4.00	0.00	4.00
A-32169	Law & Order Trust Fund (LOTFA)	G	UNDP	2.00	2.00	0.00	0.00	2.00
A-32484	Strengthening rule of Law, AF	CA	IDLO	6.34	0.50	2.00	1.80	4.30
A-32531	Making Budgets Work	G	UNDP	3.00	1.20	0.00	1.80	3.00
A-32806	Support to the Estab. Afghan Legislature (SEAL)	G	UNDP	1.20	0.00	1.20	0.00	1.20
A-032503	Counter-Narcotics Capacity Building	G	UNODC	1.00	1.00	0.00	0.00	1.00
A-32165	Election Support - Presidential	G	UNDP		8.00	0.00	0.00	8.00
A-32623	Parliamentary Elections Support	G	UNDP/JEMB	13.00	0.00	13.00	0.00	13.00
A-32189	Media Support	CA	IMPACS	2.08	0.99	0.61	0.00	1.60
Multilateral Branch								
M-011660	Kabul Widows Humanitarian Project	CA	CARE Int.	9.00	1.02	4.68	0.00	5.70
Common to all sectors managed by Asia Branch								
A-31648	Program Support Unit - Afghanistan	CA	CIDA/PSU	4.3	0.68	0.91	0.63	2.22
Sub total					90.81	97.37	64.11	252.29
Other projects managed by various branches					12.19	3.63	16.89	32.71
Total disbursements by Fiscal Year					103.00	101.00	81.00	285.00

ANNEX 3 Benchmarking of human and other support services resources available to deliver Afghanistan, Iraq and Haiti Programs

	2004-05	2005-06	2006-07
<i>I- Level of effort related to budget to be managed per resource</i>			
a) Afghanistan compared to Iraq: The Program in Afghanistan was managing twice (1.9) more budget per resource than Iraq in 2004-05. The situation was normalized in 2006-07 i.e. the ratio was reduced to almost the same 1.1 to 1.	1.9	1.3	1.1
b) Afghanistan compared to Haiti: The Program in Afghanistan was managing six times more (6.1) more budget per person than Haiti in 2004-05. The gap increased for a ratio of almost 9 to 1 in 2006-07.	6.1	4.8	8.7
<i>II- Level of effort related to the number of contribution agreements to be managed per resource available</i>			
a) Afghanistan compared to Iraq: The level of effort in Iraq is higher than Afghanistan. It was almost the same in 2004-05 and become 10 times more in 2006-07.	0.8	0.3	0.1
b) Afghanistan compared to Haiti: The level of effort is the same for 2004-05 and 2005-06 and almost twice as much in Haiti in 2006-07, the reason being the profile of the Haiti Program, which has a lot of contribution agreements.	1.1	1.1	0.6
<i>III- Level of effort related to the number of grant agreements to be managed per resource available</i>			
a) Afghanistan compared to Iraq: The level of effort with regard to the management of Grant agreement with international multilateral organizations are much higher in Afghanistan compared to Iraq 5 times more in 2004-05 and 2.4 times more in 2006-07.	5.2	2.2	2.4
b) Afghanistan compared to Haiti: The gap is even higher with the Haiti Program i.e. 10.6 times more grant agreement to be managed per person in Afghanistan in FY 2004-05 and 8.2 times more in 2006-07.	10.6	5.8	8.2

ANNEX 4 Persons interviewed

CIDA, Afghanistan Program, Asia Branch

- Vice President, Asia Branch (CIDA)
- Director General of Afghanistan Program (CIDA)
- Assistant Director, Operations (CIDA)
- Head of Aid, Canadian Embassy at Kabul, Afghanistan (CIDA)
- Assistant Director, Planning (CIDA)
- Senior Development Officer (CIDA)
- Development Officers (CIDA)
- Afghanistan Program Analyst
- First Secretary, Canadian Embassy, Kabul, Afghanistan
- Development Officer, Canadian Embassy, Kabul, Afghanistan
- Strategic Management Division
- Development Officer
- Program Administrative Assistant
- Contracting Officer, Strategic Management Division
- Program Officer, Strategic Management Division
- Head, Accountability and Results Unit
- Project Officer (CIDA)
- Development Officer (CIDA)

CIDA, former Afghanistan Program

- Former Head of Aid, Director Info. & Business Solutions, Business Operations Group,
- Program Manager, Pakistan and Central Asia Division, Asia Branch
- Senior Development Officer, India, Nepal, Sri Lanka Division, Asia Branch
- Development Officer, Mainland South East Asia, Asia Branch
- Program Officer, India, Nepal, Sri Lanka Division, Asia Branch
- Development Officer, Sudan Program, Africa Branch

CIDA, Other

- Policy Advisor, Social Sciences, Asia Branch
- Senior Program Manager, United Nations and Commonwealth Programs Division, Multilateral Programs Branch (Desk Officer for the UNDP)
- Program Analyst, Sudan Program, Africa Branch (Fragile States)

Consultants to the Afghanistan Program, Asia Branch, CIDA

- Evaluation Consultant (for the Rights and Democracy, Free Media, NABDP Projects)
- Gender Consultant.
- Program Monitor.

DND

- Senior Official, Canadian Expeditionary Forces Command (CEFCOM)

DFAIT

- Deputy Director, Policy and Advocacy, Afghanistan Task Force

Others

- Senior Official, Ministry of Rural Rehabilitation and Development, Kabul.
- Head of the Microfinance Support Facility for Afghanistan, Kabul.
- Head of Parwaz, a Microfinance Institution, Kabul.
- Advisor to the Ministry of Interior Affairs, Kabul.
- Country Director, UNDP, Kabul
- Program Director, Tiri (International NGO, fragile states)

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ANNEX 6 List of Criteria used for Financial Accountability

Compliance with the Treasury Board Secretariat's *Policy on Transfer Payments*

For all Grants instruments, we have to ensure that:

- 1) There is a formal agreement between CIDA and the recipient (The World Bank or UN organizations).
- 2) Grants are paid in instalments and must be based on the project cash flow requirements. (T&C for CIDA IDA indicate, "Payments may be in single tranche")
- 3) The recipient used the funds for the specified purpose or to meet specified objectives.
- 4) Due diligence is exercised to ensure:
 - i) Understanding of the purpose and objective to be achieved;
 - ii) Understanding of respective authorities, responsibilities and accountabilities;
 - iii) There is ongoing monitoring to ensure reassessment and effectiveness; and
 - iv) It is supported by competence and capability of information, resources and skills. i.e. the implementing agency is an eligible recipient and a "Trusted Partner".

Management controls exercised by the Program Desk/Mission

For all operational projects, we have to ensure that:

- 5) A Project Approval Document was prepared and received proper contractual and financial signing authorities.
- 6) A grant arrangement was prepared and signed by the proper CIDA level of authority.
- 7) Due diligence report was prepared before the release of funding and included sections on:
 - i) Capacity of the implementing organization;
 - ii) Assessment of previous progress/annual reports;
 - iii) Previous assessment reports on its performance produced by credible international donor community, and
 - iv) Analysis on the adequacy of internal control system in place and risk assessment.
- 8) There is an adequate Afghanistan monitoring framework in place approved by CIDA senior management.
- 9) Monitoring reports are reviewed by management for comments and to establish an action plan for implementation of corrective measures.
- 10) Progress and Annual Reports on activities undertaken, as well as certified financial statements or any other financial reports described as per the grant agreement with International Institutions, are received and examined by the responsible program officer.

ANNEX 7 List of Donor Countries and Organizations for Afghanistan

Donor codes are derived from the International Organization for Standardization (ISO 3166) list of country codes.

036 AUSTRALIA	578 NORWAY
040 AUSTRIA	586 PAKISTAN
050 BANGLADESH	616 POLAND
056 BELGIUM	620 PORTUGAL
124 CANADA	634 QATAR
156 CHINA	642 ROMANIA
208 DENMARK	643 RUSSIAN FEDERATION
246 FINLAND	682 SAUDI ARABIA
250 FRANCE	724 SPAIN
276 GERMANY	752 SWEDEN
356 INDIA	756 SWITZERLAND
360 INDONESIA	792 TURKEY
364 IRAN (ISLAMIC REPUBLIC OF)	784 UNITED ARAB EMIRATES
372 IRELAND	826 UNITED KINGDOM
380 ITALY	840 UNITED STATES
392 JAPAN	990 Asian Development Bank
410 KOREA, REPUBLIC OF	991 European Community (EC)
414 KUWAIT	992 Islamic Development Bank
442 LUXEMBOURG	993 North Atlantic Treaty Organization (NATO)
458 MALAYSIA	994 United Nations System
528 NETHERLANDS	995 World Bank
554 NEW ZEALAND	

Last Updated: June 2004 source: AIMS UNDP

ANNEX 8 Management Response to the Review of the Afghanistan Program

General

CIDA's management accepts the findings and recommendations of the Review, and is committed to addressing areas identified for improvement.

The Review covers a representative distribution of major program activities, accounting for a majority of program expenditures. We note that additional information was provided by the Review team on the balance of the program portfolio, and we support comprehensive coverage in future exercises.

We understand that difficult local security conditions worked against field visits for the Review team. We do note however that the Review made full use of available documentation from international reviews, including systematic monitoring and independently documented evaluations undertaken with international partners of major projects. We have also worked through such initiatives such as *Making Budgets Work* to strengthen the capacity of the Government of Afghanistan for accountable management and oversight of its development efforts.

Effective development involves risk, and conditions in Afghanistan – poor security, a weak institutional base, and the legacy of decades of oppression and poverty – will continue to pose unique challenges for some time to come. Set against this backdrop, the generally positive results of the Review are encouraging; although we acknowledge that deep-rooted problems remain. The Review provides a useful summary of accomplishments, and has underlined the importance of high performance programs that we have been supporting, such as the National Solidarity Program and the Microfinance Investment Support Facility.

Lessons identified in the review and the recommendations related to reporting requirements by multilateral organizations are likely applicable to country programs across the Agency, and we are committed to ensuring that lessons learned in Afghanistan are shared across all relevant programs, especially other fragile states.

We also appreciate the specific focus on Canadian partners working with CIDA on the Afghanistan Program. We believe there is much to gain from close working relationships and we are actively seeking ways to collaborate further with partners as their programming evolves.

The following table summarizes: a) the recommendations; b) commitments and action already taken or to be taken to address the recommendations; c) the responsibility centre; and d) the target completion date.

<i>Recommendations</i>	<i>Commitments / Actions</i>	<i>Responsibility Center</i>	<i>Target Completion Date</i>
<p>1.a) CIDA reporting requirements were noted in existing agreements with partners. In order to allow Program staff to effectively monitor the initiatives implemented by its partners, the Program should ensure that the Agency’s reporting requirements, with regard to financial information and progress on development results, are more clearly reflected in the agreements with its partners, and respected. In the case of multi-donor arrangements, such as with the Multilateral Organizations, CIDA will need to work with other donors to ensure this happens.</p>	<p>1.a) Agreed. Reporting requirements in all CIDA agreements will be systematically crosschecked for completeness and consistency. As noted in the report, CIDA contracts, grants and contributions already reflect CIDA's reporting requirements, but we will request whatever additional information may be warranted, including in concert with other donors, to ensure full accountability and results reporting throughout the program portfolio. Follow-up action in this regard is already underway with specific priority attached to those examples highlighted in the report.</p>	<p>1.a) Afghanistan Task Force; Director of Operations</p>	<p>1.a) Effective immediately</p>
<p>1.b) In order to strengthen accountability for results and support knowledge building for future programming and decision making, monitoring activities performed by CIDA field and Headquarters (HQ) staff should be documented on a more systematic basis and include clear indications on progress, variance analysis of expenditures and development results on a cumulative basis, identification of issues, lessons learned and follow-up actions taken. The Program may also want to consider providing staff with appropriate training in this area as needed.</p>	<p>1.b) Agreed - Systematic documentation of the monitoring of progress, expenditures, development results, lessons learned and follow-up actions is a key component of the terms of reference of the new Results and Accountability Unit. An updated results architecture is currently under development. The Unit will produce periodic reports based on monitoring carried out by CIDA staff and other relevant multilateral organizations. For better documentation of staff monitoring activities including progress, and variance analysis, adding the crucial additional staff resources required by the Program in the field and at Headquarters will greatly assist in implementing this recommendation, as will ensuring appropriate</p>	<p>1.b) Afghanistan Task Force; Director General (for the required hiring), and Director of Operations (for training needs)</p>	<p>1.b) First wave of new staff to be in place by June 2007, with final placements taking effect by Fall, 2007.</p> <p>Related training needs to be identified by Fall, 2007, with a training plan designed and launched.</p>

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	additional training for staff as required. The Program will identify the training required and put the rest of the new complement of officers into place.		
<p>2) The recently created “Results and Accountability Unit” (RAU) at HQ needs to be fully operationalized to ensure the enhancement of the Results-Based Management (RBM) framework of the Program to allow management to improve its reporting of development results and knowledge sharing. This Unit would analyse the data and the information outlined in monitoring, evaluation and audit reports in order to extract results at the different levels (i.e. output, outcome and impact), lessons learned and actions to be taken for their integration into the programming cycle.</p>	<p>2. Agreed. The Results and Accountability Unit was created in the Fall of 2006 as an innovative response to the special requirements of the Afghanistan program. It has done an excellent job of capturing/reporting results at the <i>output/activities</i> level. The Results and Accountability Unit currently has 3 staff and recruitment for another 3 staff is taking place and it is expected that the Unit will be fully staffed by July 2007. This will allow the Unit to advance efforts to the <i>outcome</i> and <i>impact</i> level and build a practical Results-based Monitoring framework for reporting results and capturing lessons learned.</p>	<p>2. Afghanistan Task Force; Director General (for hiring the Unit Manager hiring), and overseeing the RBM framework design in collaboration with the VP, Afghanistan Task Force.</p>	<p>2. Unit staffed by July 2007, with new RBM Framework by Fall 2007.</p>
<p>3.a) The Agency should give consideration to increasing the number of staff in Afghanistan in order to cope with the challenges and required level of effort needed to more effectively manage the Program (e.g. intelligence gathering, analysis, monitoring, various pro-active and follow-up actions and the numerous meetings with Donors representatives and GoA officials in the field).</p>	<p>3.a) Agreed. The Program has been actively seeking to enhance its field presence both at the Mission in Kabul as well as in Kandahar. DFAIT and CIDA have also been working to address logistical and security constraints associated with a strengthened field presence, and to enhance overall field coherence. New and replacement staff members have been identified, with postings scheduled to take effect over the Summer of 2007.</p>	<p>3.a) Afghanistan Task Force; Director General for hiring, in collaboration with the VP, Afghanistan Task Force working with DFAIT towards the space</p>	<p>3.a) Kabul and Kandahar positions to be created and staffed by Fall 2007.</p> <p>Additional SAT Officer by late Summer 2007.</p>

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	<p>In addition, three new local Afghan officers were just hired for the CIDA PRT work in Kandahar, including two women for local Afghan NGO outreach.</p> <p>An additional CIDA officer will be added to the Strategic Advisory Team (SAT).</p>	solution.	
<p>3.b) CIDA should explore with DFAIT, TBS and other central agencies, as appropriate, options to enhance the field compensation package allowed by the Foreign Service Directives (FSD) in order to provide an enhanced incentive package (accommodation, overseas allowances, home leave, etc.), which better reflects the relative hardship level and security risks that staff face in countries of conflict/crisis such as Afghanistan. This would enable the Program to attract, hire and retain high quality experienced staff with the right profile.</p>	<p>3.b) Agreed. Work has been underway for some time on an improved incentive package for civilians working in Kandahar and Kabul. This has included extensive input to a joint CIDA-DFAIT communication Treasury Board Secretariat in Spring 2006, which so far has resulted in enhanced Rest and Recuperation (R&R) provisions. The Program has also established overtime policies that reflect the massive number of hours worked by our field teams in this environment. CIDA will continue to work with DFAIT and central agencies to enhance this package further. CIDA is also increasing its number of field staff, which will build a more sustainable and manageable experience for overworked individuals in the field. In addition, CIDA will pursue additional measures within its control and authority, to provide incentives to attract field employees, such as stretch assignments upon an officer's return to Headquarters, and learning and professional development opportunities.</p>	<p>3.b) Afghanistan Task Force; Director General and VP</p>	<p>3.b) Complete new proposals to central agencies in Spring-Summer 2007</p>

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<p>3.c) The Program Support Unit should be operationalized on a priority basis to provide the necessary assistance to the CIDA Program to implement its strategy in the most optimal manner. The roles and responsibilities of this unit (e.g. on site intelligence gathering, monitoring, sector analysis, data collection to establish base lines, logistical and administrative support, etc.) should be clearly defined.</p>	<p>3.c) Agreed. The management team launched efforts in Fall 2006 to strengthen the Unit and take it from logistical support to a more comprehensive Knowledge and Program value-added operation. A new Director (who speaks the local language) has been hired, and further enhancements, including a new, larger location just selected for the PSU, are underway. The security environment will be an important factor to consider as the Program determines what kind of operational support could be provided by the PSU and whether meeting the key operational challenges faced by the Program could be better met by sending more CIDA staff to Afghanistan.</p>	<p>3.c) Afghanistan Task Force; Director General (for overall vision), and Director of Operations and Head of Aid, for implementation</p>	<p>3.c) New Director now hired.</p> <p>Re-assessment of PSU contract by May 2007.</p> <p>New PSU location by Spring, 2007</p> <p>New plan for clearly defined PSU responsibilities by Fall, 2007.</p> <p>New staff in key remaining PSU positions by Fall 2007.</p>