

OFFICE MEMORANDUM

DATE: September 7, 2010

TO: ARTF Management Committee

FROM: Qazi Azmat Isa, NSP Task Team (on behalf of the Ministry of Rural Rehabilitation and Development)

SUBJECT: **Funding Request for National Solidarity Program III**

Thanks to the commitment and leadership of the government, the strong support of the donor community and the Afghanistan Reconstruction Trust Fund and the dedication of implementation partners, the National Solidarity Program has delivered impressive results to the Afghan rural communities. We are very pleased to inform the ARTF Management Committee that the third phase of the National Solidarity Program (NSPIII) covering the period of 2010-2015 has been satisfactorily appraised, and IDA's Board of Executive Directors approved on June 29, 2010, an IDA grant in an amount of SDR 27.2 million (US\$ 40.0 million equivalent) to support the NSP III. Please find attached the project document that was submitted to the IDA Board of Executive Directors, which provides detailed information pertaining to NSP III.

The NSP III will fund activities for: (a) establishment and capacity building of Community Development Councils (CDCs) and their federations (cluster CDCs); (b) continuing roll-out of the NSP to the remaining 10,320 communities not yet covered by the program and scaling up support for local economic and social development through provision of repeater block grants to 17,400 rural communities; and (c) program implementation management support, including program monitoring and evaluation.

The five-year NSP III is estimated to cost US\$ 1.5 billion. ARTF funding support (now set out in the ARTF Financing Strategy) will be crucial to enable the program to move forward. This application seeks the approval of the ARTF Management Committee of an initial grant to the program of US\$ 250 million. The table below shows the allocation of grant proceeds by program components:

Project Component	Amount Allocated
(i) Capacity building of CDCs	US\$ 50.5 million
(ii) Community Grants for Economic and Social Development	US\$ 180 million
(iii) Project Implementation Support	US\$19.5 million
Total	US\$250 million

We look forward to presenting the funding request to the Management Committee on the 15th of September and to answering any questions that you may raise at that point.