

Third National Solidarity Project

Release of US\$150 million approved on September 13, 2011

Introduction

This memo seeks the release of US\$150 million from the Afghanistan Reconstruction Trust Fund (ARTF) to finance the Third National Solidarity Project (NSP III) activities. A blanket approval of second tranche of ARTF Grant amounting to US\$250 million was granted by the Management Committee (MC) of the ARTF on September 13, 2011. Nevertheless, only US\$100 million was disbursed upfront with the understanding that the remaining US\$150 million would be released after ARTF is replenished, and NSP III needs additional financing.

Current project implementation status

The Second National Solidarity Project (NSP II) successfully closed on September 30, 2011. At closing, cumulatively NSP II reached 23,180 communities; approved sub-projects were about 51,028, of which 46,464 were completed; block grants disbursed amounted to US\$864.9 million; and a total of 20,062 Community Development Councils (CDCs) fully utilized their block grants. The World Bank's Implementation Completion Report rated the project implementation and achievement of its development objectives as Satisfactory.

NSP III is building on the success of its preceding phase. Since the closing of NSP II, the third phase has continued with the mobilization and capacity building activities in 8,010 new rollout and 5,066 repeater block grants communities. This brings the total number of communities contracted to FPs under NSP III to 13,076. So far, FP contracts worth about US\$90.9 million and US\$57.0 million for new rollout (for national coverage) and repeater block grants have been signed, respectively. As of June 30, 2012, about 6,771 Community Development Plans (CDPs) had been prepared; approximately 11,119 sub-projects approved; and 10,826 sub-projects financed. This brought the cumulative number of communities mobilized by NSP to 29,505; sub-projects financed to 62,105; communities that have received the first block grant to 28,687 (approximately 73 percent) out of the estimated 39,200 communities existing in Afghanistan. Finally, NSP has cumulatively disbursed about US\$974,555,987 in block grants, of which US\$719,960,862 has been spent by the CDCs.

Future project implementation plan

In the next six months, NSP III focus would be on the procurement of Facilitating Partners (FPs) for implementing second phase of rollout to new communities and repeater block grants. With oversight from the Ministry of Rural Rehabilitation and Development (MRRD), NSP III plans to contract out second phase rollout to 3,067 (Category II) and 5,272 (Category III) communities, at an estimated total cost of US\$95.7 million, by December 31, 2012. In the same period, NSP III also plans to contract out 7,000 communities for second phase repeater block grants, at an estimated cost of US\$84.0 million. Thus, a total of 15,341 communities will be contracted out to FPs by end of this year. Overall, NSP III would have reached 28,417 communities, slightly surpassing the target of the current phase, set at 28,000 communities. The number and value of signed FP contracts for each category is summarized in Table 1 below.

Table 1: Existing FP contracts for implementing new rollout and repeater block grants

	No. of FPs Contracted	Total Contract Value US\$	Amount Paid US\$	% Contract Value Paid	Contract Balance
NSP I & II Contracts	28	107,582,355	61,367,460	57%	46,214,895
Rollout to new communities					
NSP III - Category I	21	82,410,740	30,651,476	37%	51,759,264
NSP III - Category II	7	6,247,876	973,389	16%	5,274,487
NSP III - Category III	1	2,210,220	479,040	22%	1,731,180
<i>Sub-total rollout</i>		<i>90,868,836</i>	<i>32,103,905</i>	<i>35%</i>	<i>58,764,931</i>
Repeater Block Grants*					
NSP III - First Round	16	57,013,310	7,296,860	13%	49,716,450
Total Contract Value		255,464,501	100,768,225	39%	154,696,276

* Excludes two contracts worth US\$15,394,767 that are ready for signing

It should be noted here that 28 incomplete contracts, worth US\$107,582,355 were carried over from NSP II. To date, FP contracts amounting to US\$255,464,501 have been signed; out of which, US\$100,768,225 have been paid, leaving an unpaid balance of US\$154,696,276.

Project Financing Gap

By June 30, 2012, out of the available US\$392 million (IDA grant H603 = US\$42 million, plus ARTF grant TF98459 = US\$350 million), about US\$247 million had been disbursed by the Bank. This leaves a balance of only US\$145 million available to finance NSP III activities. To date, the commitments due to the existing FP contracts stand at US\$255 million, out of which about US\$101 million has been paid, leaving the outstanding balance of US\$155 million. Furthermore, about US\$269 million has been commitment for block grants to CDCs to finance the approved community sub-projects. Thus, at the moment, there is a financing gap of US\$279 million. To fill this gap, the Bank will first release the balance of US\$150 million from the second tranche of ARTF Grant approved on September 13, 2011. Since this amount is not enough to cover the financing gap, the Bank task team would submit a request for a third tranche of ARTF Grant amounting to US\$250 million in September 2012. This amount will be sufficient to cover the remaining financing gap of US\$129 million, and costs of FPs contracted for the second phases of new rollout and repeater block grants.