

The World Bank in Afghanistan

COUNTRY UPDATE

JULY 2008



A girl carries items by a donkey in a busy street of Kabul. Mixtures of animals and vehicles make traffic in Kabul very messy. (Photo by: Pajhwok Afghan News)

INTRODUCTION

The Government of the Islamic Republic of Afghanistan and representatives of the international community met June 12, 2008, in Paris to reaffirm their long-term partnership in support of the people of Afghanistan, their security, prosperity and human rights. The conference was opened by French President Nicolas Sarkozy, Afghan President Hamid Karzai, and UN Secretary-General Ban Ki-Moon.

The conference, co-chaired by French Foreign and European Affairs Minister Bernard Kouchner, his Afghan counterpart Rangin Dadfar Spanta, and Special Representative of the UN Secretary-General for Afghanistan Kai Eide, represented the point of departure for a new partnership between Afghanistan and the international community, enabling them to work together more closely in implementing the Afghanistan National Development Strategy (ANDS). The international community pledged about US\$20 billion to finance the implementation of ANDS, including support for the preparation of elections in 2009 and 2010. Please visit <http://www.and.s.gov.af/> for more information.

WORLD BANK SUPPORT

Since April 2002, the World Bank has committed over US\$1.69 billion for 41 development and emergency reconstruction projects and three budget support operations in Afghanistan. This support comprises over US\$1.25 billion in grants and US\$436.4 million in no-interest loans -known as "credits." Currently, the Bank has 29 active projects in Afghanistan with net commitments of over US\$1.12 billion. Three budget support operations and emergency public works, infrastructure reconstruction, education rehabilitation projects, and the first phase of a rural development and public administration projects have so far been completed.

The Afghanistan Reconstruction Trust Fund (ARTF) is administered by the World Bank on behalf of 28 donors and managed in conjunction with the Asian Development Bank, Islamic Development Bank, United Nations Assistance Mission for Afghanistan, and the United Nations Development Program. It is the main mechanism for providing coordinated funding support to Afghanistan's recurrent budget and investments, in line with the agreed budget priorities of the government. As of June 20, 2008, 28 donors had pledged over US\$3 billion to ARTF, of which US\$2.5 billion has been received. More than US\$2 billion has been disbursed to the Government of Afghanistan to help cover recurrent costs, such as civil servant

"Only Afghans can develop Afghanistan. They must therefore rise to the challenge and tackle the difficult issues of building institutions, fighting corruption and improving service delivery to ordinary citizens," said World Bank Managing Director Ngozi Okonjo-Iweala, who recently visited Afghanistan. "The international community should support Afghanistan and its development and recognize that the process will require their long-term engagement."

Highlights of Paris Declaration:

- **To strengthen democracy in Afghanistan:** The international community and Afghan Government underlined the importance of the holding of elections in 2009 and 2010 as a crucial step to consolidate democracy for all Afghans.
- **To support the Afghanistan National Development Strategy (ANDS) in order to give the Afghan people a better future:** The ANDS will be a roadmap for joint action over the next five years and sets the government's and international community's shared priorities. The international community will align its efforts behind the financing and implementation of the ANDS in order to achieve the objectives agreed in the Afghanistan Compact.
- **To stimulate investment in infrastructure, especially in the agriculture and energy sectors:** The international community promised to support efforts to expand agricultural production and to extend rural development, as well as to invest in larger-scale power generation, transmission, and distribution, in order to stimulate Afghanistan's economic development and generate employment.
- **To create opportunities for Afghans through private sector growth:** The Afghan Government committed itself to support private sector growth, including in the sectors mentioned above. It also committed itself to improve revenue collection and to create a legislative and regulatory environment that will attract investment and generate employment.
- **To strengthen Afghan government institutions and improve delivery of services to all Afghans:** In order to ensure that the progress achieved during the past six years is sustained, the Afghan Government agreed to take action to increase trust in government by improving public administration, local governance, justice, police, and other law enforcement institutions. In this context, it committed itself to ensure that appointments are made on the basis of merit.
- **To improve aid effectiveness and ensure the benefits of development are tangible for every Afghan:** The international community agreed to provide increased, more predictable, transparent, and accountable assistance. They agreed that all their development assistance would be delivered in a more coordinated way.
- **To combat corruption:** The Afghan Government reaffirmed its commitment to intensify actions to combat corruption and to take concrete steps to that effect. The international community will support such actions.

worker salaries, and US\$815 million had been made available for investment projects.

The Japan Social Development Fund (JSDF), administered by the World Bank, has provided a special window for Afghanistan which operates in a harmonized manner to support the national programs of the government. As of June 2008, Japanese contributions to JSDF for Afghanistan reached US\$23.1 million.

The World Bank has provided advice to help the government manage donor funds effectively and in a transparent way. The World Bank also supports the government by providing analytical work on the economy, public administration, gender, poverty, the opium economy, and public finance management (PFM). The Bank has actively supported key reforms, particularly in the fiscal and public administration spheres, and through its budget support operations. It has advocated building capacity and legitimacy of the State and channeling donor resources through the government to ensure investments are aligned with national priorities. To this end, the World Bank works closely with other multilateral and bilateral agencies across a number of sectors where aid coordination and government ownership are most critical.

Ahead of the Paris Conference, on June 12th the World Bank released a new report entitled **Building an Effective State – Priorities for Public Administration Reform in Afghanistan**. The report calls for a shift of government functions that are still performed by the international community, or are not performed at all, to strengthened Afghan institutions. The report acknowledges that public administration reform is difficult under the best of conditions, but is made all the harder in Afghanistan where informal power relationships are strong, formal government systems still need rebuilding, and parts of the country are insecure. For more information about the report, please visit: <http://go.worldbank.org/76SXRNSYN0>

STATUS OF ONGOING OPERATIONS

Emergency National Solidarity Project (NSP) (US\$306 million Grant, and US\$330 million ARTF Grant): This is the Government of Afghanistan's flagship program to support small-scale reconstruction and development activities identified by local Community Development Councils (CDCs) across the country. The World Bank is the main source of financing for the NSP. Other sources include the ARTF, the JSDF, and several bilateral contributors. Between early-May 2003 and June 2008, the NSP has reached over 19 million Afghans. Over 21,500 communities have been mobilized, while over 20,700 communities have successfully elected CDCs. Over 36,500 community projects had been partially or fully financed, of which more than 19,000 projects have been completed. About 80 percent of the community projects involve infrastructure such as irrigation, rural roads, electrification, and drinking water supply, all critical for the recovery of the rural economy, stability and governance.

The community projects financed under the NSP focus on social and economic infrastructure and are based on the priorities of the rural population. Of the current 36,500 funded community projects,

- **To intensify counter-narcotics efforts:** The Afghan Government committed itself to taking more effective measures to counter the production and trade of illicit narcotics. The international community committed itself to provide coordinated practical assistance and other resources to support government plans and efforts, especially alternative livelihood programs.
- **To ensure greater civil society participation in the nation-building process:** The international community welcomed the strong commitment of the Afghan Government to continue a productive dialogue with civil society and communities.
- **To promote respect for human rights for all Afghans:** The Afghan Government and international community noted the vital importance for the protection of human rights of establishing the rule of law. They both committed to support the implementation of the National Action Plan for Women.
- **To strengthen regional cooperation:** The Afghan Government and international community highlighted the importance of regional cooperation on political, economic, and security matters. The international community agreed that Afghanistan's neighboring countries have an essential role to play in supporting Afghan Government efforts to build a stable Afghanistan with secure borders.

over 25 percent projects are for dealing with water and sanitation; over 17 percent for the rehabilitation of irrigation systems; over 22 percent to improve transport infrastructure (roads, bridges); over 15 percent for the provision of energy (generators, micro-hydro, solar energy); over 9 percent to improve livelihoods and generation of income; over 11 percent for education infrastructure; and 2 percent for other investments. The NSP is active in 352 districts of the 364 districts in Afghanistan's 34 provinces. As of 31 May 2008, US\$466 million of block grant installments had been disbursed out of the US\$491 million committed to community projects. The NSP start-up phase (US\$22 million) was funded under the Emergency Community Empowerment and Public Works Project in June 2002. More information is available at <http://www.nspafghanistan.org>.

National Emergency Rural Access Program (NERAP)

There are three ongoing projects under the overall NERAP umbrella administered by the Bank. Please see under JSDF and ARTF (further down) for the two other projects.

National Emergency Rural Access Project (NERAP) (US\$137 million)

As a follow-up to the recently completed successful project NEEpra, the World Bank continues its support to the government's rural access program by approving a grant of US\$112 million on December 13, 2007, for the National Emergency Rural Access Project. The government has also further indicated its commitment to the program, by agreeing to co finance US\$25 million for the project, either through its own resources or from other donors. The objective of the project, derived from the overarching objective of the National Rural Access Program (NRAP), is to provide year-round access to basic services and facilities in the rural areas of Afghanistan covered by the project. The project aims to do this by rehabilitating 2,010km of rural roads and 8,859 running meters of various types of drainage structures. As of June 2008, 59 subprojects costing US\$21.6 million have already been awarded, while 88 subprojects are in various stages of procurement. Survey and design activities on a number of roads are ongoing at full swing.

Expanding Microfinance Outreach and Improving Sustainability Project (US\$30 million Grant and US\$133.3 million ARTF Grant)

aims to assist the government in developing a sustainable microfinance sector that will provide flexible, convenient, and affordable financial services to poor people. The goal is to build an integrated financial sector and remove the barriers that separate the microfinance community from the broader mainstream financial system. Since its inception in 2003, the project has provided more than US\$124 million in funds, including US\$87.2 million in loans. There are now 15 microfinance institutions (MFIs), with a network of over 261 branches in 23 provinces, with more than 440,700 savings and loan clients. Sixty-five percent of the clients are women, and the loan repayment rate is 96 percent. In 2006, the sector disbursed US\$7 million in loans every month and added more than 10,000 clients per month. In 2007, the sector disbursed about US\$16 million in loans every month and added 8,000 to 10,000 clients every month. The sector now employs over 4,600 Afghans; more than 610 have been trained in microfinance operations. The project is also expanding in the seven poppy-growing provinces identified by the government to provide alternative livelihood opportunities to



World Bank Managing Director Ngozi Okonjo-Iweala meeting villagers in Bamiyan province where the National Solidarity Programme is at work.

The World Bank strategy for Afghanistan focuses on three areas of support:

- Building the capacity and accountability of the state, primarily to ensure the provision of services that are affordable, accessible, and of adequate quality for citizens.
- Promoting growth of the rural economy and improving rural livelihoods.
- Supporting growth of a formal, modern, and competitive private sector.

poppy-growing farmers. The project anticipates that it will reach at least 500,000 poor households in most provinces by the end of 2008. The sector, as a whole, already covers 90 percent of its costs from its own income which is earned from lending activities. Four of the MFIs have already reached operational self-sufficiency, and most of the others will likely achieve sustainability by the end of 2008.

Public Financial Management Reform Projects (US\$60.4 million Grant): A series of four operations support Afghanistan's efforts to establish a transparent and well-functioning public financial management system to attain better use of public resources. The grants initially concentrated on funding consulting firms to support government officials in carrying out procurement, and treasury, but the newest operation has shifted emphasis on building capacity in the Treasury Department of Finance Ministry with its procurement and audit functions. The projects contributed to the establishment of the current modern legal framework for public financial management and to the implementation of systems to support this framework. Activities include:

Procurement Advisor: The procurement advisor has facilitated 527 government contracts valued at US\$1.5 billion. A new procurement law has been enacted and related regulations and bidding documents have also been prepared.

Procurement Capacity Building Advisor: A comprehensive needs assessment for procurement training and a plan for addressing the needs have been completed. Training in procurement rules and procedures is underway for procurement staff of all ministries at the Civil Service Training Institute for all government procurement staff.

Financial Management Operations Advisor: An integrated accounting, budget control and check issuance system has been operating in the Treasury Department in the Ministry of Finance since October 2002. All budget transactions are recorded in this system which generates timely and comprehensive reports on the government's budget execution and financial position. This system is being expanded to the provincial offices of the Ministry of Finance and some line ministries, and new programs are being added to support purchasing and control of assets.

Audit Advisor: The audit advisor has assisted the Control and Audit Office (CAO) with the audits of International Development Association (IDA) projects, ARTF projects and cost expenditures, and the state budget. In addition, over 100 staff members have participated in various training courses, including computer and language training, technical audit, and modern audit working practices and procedures. The CAO is being equipped with computers and training material; a strategic development plan has been prepared and a new law on auditing is proposed.

Internal Audit Capacity Development: The Ministry of Finance Internal Audit Department is operating an auditing training program which has already imparted a four-month training program to 120 staff of the Ministry of Finance and other public entities and has trained internal audit staff from across government, including 40 new auditors in the Ministry of Defense.



Students attend a class in a primary school in Herat Province.



A school building under construction through School Grant support in Kapisa Province.

The Education Quality Improvement Program (EQUIP) consists of two projects—EQUIP I (US\$35 million Grant and US\$344 million ARTF Grant) and EQUIP II (US\$30 million) which was launched in May 2008. The program provides district-based teacher training and grants directly to communities nationwide. EQUIP is fully aligned to the Ministry of Education's National Education Strategy Paper (NESP) and enjoys multi donor support from the Afghanistan Reconstruction Trust Fund (ARTF). These funds are used directly by communities through School Shura's for the rehabilitation of school buildings and for accessing quality inputs, such as teaching and learning materials. The School Shura's are assisted by the Provincial Education Departments and in 4 provinces, NGOs. EQUIP II supports district based teacher training in 23 provinces (the 11 other provinces are supported by the USAID), scholarship for girls willing to attend Teacher Training Colleges for two years and join the teaching force and monitoring and evaluation of NESP programs including the now established Education Management Information System at the MOE. The MOE in December 2007 successfully completed the school survey of 1386. Updated data from the survey can be found on the MOE website. It is envisaged that by the end of the two projects in 2012, there would have been 1200 schools built with a priority on girls schools; 8,000 School Shura's formed and active; at least 120,000 teachers trained in service teacher training and 1,000 new girls receiving scholarships and entering the teaching force of female teachers.

The Strengthening Higher Education Program (US\$40 million Grant and US\$32 million ARTF Grant) aims to progressively restore basic operational performance at six core universities in Afghanistan — Kabul Polytechnic University, Kabul University, and four regional universities (Balkh, Herat, Kandahar, and Nangarhar) — through partnership programs with universities in the region and in the West and competitive block grants. In addition, funds will be provided to set up an institutional base for the development of an agenda focusing on tertiary education development, capacity building and reform. The program is envisaged as the first phase of a long-term higher education development program in Afghanistan, acting as a catalyst to attract various resources to the Afghan tertiary education sector.



View of Pul-e-Khumri - Kunduz road being reconstructed through Transport project.

The World Bank team jointly with the Ministry of Higher Education conducted a Mid Term Review of the project and found that progress was being made steadily. Under this program, eleven partnerships with universities abroad (such as Kansas State University, USA, and Technical University Berlin, Germany, to name just two) in the fields of engineering, Computer Science, English as a second language and natural sciences, have been formed for five of the six participating universities. The usage of block grants to procure books and rehabilitate libraries and laboratories is continuing steadily. Recently the ARTF Management Committee approved an additional \$32 million to go towards block grant activities that would support the partnerships through construction of a central campus and gymnasiums, libraries and laboratories in the universities of Balkh, Kandahar, Nangrahar, and Kabul Polytechnic.

Afghanistan Skills Development Project (US\$20 million Grant) is designed to increase the number of skilled Afghans and create a high-quality technical vocational education and training system that is equitable, market responsive, and cost-effective. More specifically, the project will develop a demand-driven vocational education and training system, and give training institutions autonomy to plan and customize their programs and establish partnerships with experienced national and international training providers.

The Emergency Transport Rehabilitation Project (US\$108 million Credit and US\$45 million Grant) helped the Government of Afghanistan to remove key transport bottlenecks on an emergency basis. It supported the government's efforts to rehabilitate both highway and civil aviation programs. The work improved physical access to goods, markets, and administrative and social services, all critical to Afghanistan's economic and social recovery. In May 2005, a supplemental grant of US\$45 million was approved to increase the project budget for Kunduz–Taloqan–Kishem road rehabilitation and other components for the satisfactory completion of the project. The project was completed on June 30, 2008.

Salang Tunnel Rehabilitation: In July 2004, the Salang tunnel work was completed, opening the 2.7 km tunnel for two-way traffic, for the first time, since 1997. Work included reconstructing collapsed snow galleries and ventilation shafts, and building and installing ventilation equipment, tunnel lighting and electric power generators. The tunnel is located at one of the highest altitudes (3,400m) in the world and covers a critical section of the highway that connects the city of Kabul to eight provinces. The tunnel also connects Afghanistan to both Uzbekistan and Tajikistan.

Emergency Road Repairs: The Bank financed the upgrading of the road from Kabul to Kunduz, and onwards to the Tajikistan border at Sher Khan Bandar, Kunduz–Taloqan, as well as a 68 km section of the Taloqan–Kishem road. The overall road components from Kabul to Doshi and from Pol-I Khumri to Kunduz were complete in 2005. The remaining section from Kunduz to Sher Khan Bandar was completed in April 2006. The Taloqan–Kishem section was completed in June 2008.

Civil Aviation: The Bank also financed some emergency needs in the civil aviation sector, including runway rehabilitation, emergency de-mining, and fencing of the Kabul International Airport. In addition, funds will provide navigation and communication equipment for Kabul and other provincial airports. The Kabul Airport runway was formally inaugurated on August 9, 2005.

The Health Sector Emergency Reconstruction and Development Project (US\$114.8 million Grant) is helping to expand delivery of high-impact basic health services and ensure equitable access, particularly for women and children, in under-served rural areas. It has contributed to ensuring that 82 percent of the population has access to primary health care. Independent evaluation indicates that the quality of care has improved 32% from 2004 to 2007 and the number of patients served has more than tripled. A recent, independently conducted, household survey indicates that the under-5 mortality rate in Afghanistan declined from an estimated 257 per 1,000 live births in 2001 to about 191 per 1,000 in 2006. This means that about 80,000 fewer children are dying each year now, compared to during the Taliban rule. Use of family planning has increased from 5 percent in 2003 to 15 percent in 2006, and the proportion of pregnant women receiving prenatal care has increased from 5 percent to 32 percent over the same period. The project has also helped ensure the Ministry of Public Health's stewardship over the sector through a greater role in healthcare financing, the coordination of partners and oversight of NGOs. Activities include:

Seven Afghan and five international NGOs are providing services in eight provinces (Helmand, Farah, Badghis, Sari-Pul, Balkh, Samangan, Wardak, and Nimroze) as well as six clusters of districts in other under-served provinces (Badakhshan, Baghlan, Ghazni, Khost, Paktia, and Pakitka). More than 300 new health facilities have been established and 85 percent of them now have female staff. Thousands of community health workers have been trained and deployed to promote healthy behaviors and provide first aid. With support from the project, hundreds of community midwives have been trained as a means of reducing Afghanistan's very high maternal mortality rate. Since September 2004, the Ministry of Public Health has been responsible for delivering services in the three additional provinces of Parwan, Kapisa and Panjshir. In the meantime, since June 2006, the Ministry is also responsible for delivering the Basic Package of Health Services in three districts of Kabul province. The project also financed two research programs on Safe Water System and Health Care Financing. The Safe Water System research program has been carried out in Wardak province and has tested a variety of approaches for decreasing diarrhea and other water-borne illnesses; the final report of the study is now available. The health care financing study examined alternative approaches including users charge [fees?] and community health financing. The findings of the study have informed a recent decision by the MOPH to abolish all user fees in BPHS facilities.



Women waiting in queue to seek consultation about family planning in a clinic in Ghazni Province.

On May 15, 2008, the second additional grant of US\$20 million was approved by the Board of the World Bank to support the Government of Afghanistan's effort to expand delivery of basic health services, including to insecure areas of the country.

Afghanistan HIV/AIDS Prevention Project (US\$10 million Grant) is designed to strengthen national capacity to respond to the epidemic by scaling up prevention programs targeting people engaged in high risk behaviors, including injecting drug use and unsafe sex. These vulnerable groups at high risk include injecting drug users (IDUs), sex workers and their clients, truckers, and prisoners. The project also aims to improve the knowledge of HIV prevention among the general population, strengthen surveillance of HIV prevalence and high risk behaviors, map and estimate the sizes of groups engaged in high risk behavior, and use communications and advocacy to reduce stigma related to HIV and AIDS.

Since its approval in July 2007, the project has contributed to strengthening the capacity of the National Aids Control Program (NACP) through (i) recruitment of seven national advisors and one international advisor; (ii) participation of NACP staff in national/international training activities; and (iii) exposure of NACP staff to well performing HIV/AIDS programs abroad. The increased capacity of NACP has resulted in the adoption of the Afghanistan HIV Code of Ethics, an important milestone for the support and protection of people living with HIV/AIDS in the country. In the last months of 2008, NACP has been heavily involved in the recruitment of national/international NGOs that will start the delivery of targeted interventions to high-risk groups in mid 2008. The contract for HIV surveillance activities was signed with Johns Hopkins University in May 2008, and surveys in most at risk group will start in the second half of the year.

Avian Influenza Control and Human Pandemic Preparedness and Response Project (US\$8 million Grant and US\$5 million Avian and Human Influenza (AHI) Facility) is designed to prevent the spread of avian influenza to humans, and develop and implement HPAI (Highly Pathogenic Avian Influenza) prevention, containment, control, and eradication activities in the livestock sector. It will also support a national program to raise public awareness through strategic communication. The United Nation's Food and Agriculture Organization (FAO) has been selected as the facilitating partner for the Animal Health component and the contracting process is in final stages. FAO would play a key role in training, simulations, review of old legislation, and other activities. World Health Organization (WHO) would be the facilitating partner for the Human Health component and play a similar role. Key project staff are now in position and project activities have commenced. Preparation of Operations Manual, Financial Management Manual, Compensation Procedures Manual, and environmental management plan has been completed. A poultry vaccination campaign was undertaken in February 2008 in Kabul, Kapisa, Nangarhar, and Kunar. A communication strategy has been prepared in close collaboration with UNICEF, and its implementation has started.



Female health workers attending a refresher course in Balkh Province.



A disabled man sells mobile phone top-up cards in Kabul market. In Afghanistan use of mobile phones has increased over the last few years. (Photo by PAN)

The Emergency Communications Project (US\$22 million Credit) is helping the government expand its communications network through policy advice, capacity building at the Ministry of Communications, and improvement of postal services. Activities include:

A US\$16 million Government Communications Network (GCN) has been launched and is providing internet access and voice telecommunications services, including long distance and international services, to over 30,000 government employees in Kabul and Afghanistan's provinces. A new radio spectrum monitoring system, to ensure proper use of the radio spectrum in Afghanistan, is operational. All provincial capitals are now also able to videoconference with the President and ministers in Kabul. Further, a Provincial Governor's Communications Network is piggybacking on the GCN infrastructure.

Afghanistan now has approximately 4.7 million cell phone subscribers leading to a teledensity of over 17 percent. Over US\$925 million has been invested in the sector, and investment is expected to reach US\$1.5 billion by 2010. Approximately 15 percent of government revenues accrue from the telecommunications sector. The sector — directly and indirectly — employs about 60,000 Afghans. Meanwhile, Afghan Telecom has become a full-fledged corporation, and its privatization is expected to be completed this year. In the area of postal sector development, Afghan Post has introduced new services, such as Express Mail Service. Its revenues over the last three years have increased consistently, and Afghan Post has received permission from the Central Bank to provide financial services as well.

The Emergency Customs Modernization and Trade Facilitation Project (US\$31 million Credit) is supporting Afghanistan's efforts to increase customs revenue, reduce transport-related trade costs, stimulate trade, reduce corruption, and streamline border procedures. The project has achieved substantial progress in the areas of automation, communications, infrastructure, core customs technical assistance, trade facilitation, and standards and metrology.

Customs revenues have increased by more than 600 percent from 2003/2004. Substantial implementation of key reforms, along with the development of supporting infrastructure, has made this possible. Reported trade volumes show a 100 percent increase over the project baseline of 2003. ASYCUDA (Automated System for Customs Data) transit module implemented at four key border crossings, i.e., Towrkham, Islamqala, Hairatan, and Torghundi, which cover approximately 76 percent of trade coming into Afghanistan. The ASYCUDA full Declaration Processing System was piloted successfully at the Kabul Inland Clearing Depot (ICD), and rollout at Jalalabad and Kabul Airport will be completed by April 2008. For this all the necessary equipment has been procured - 80 officers received training in computer, electronic processing and ASYCUDA operations for this purpose. Substantial increases in customs revenue have resulted due to the automation, while trucks now wait less time, showing the effectiveness of these modernization actions. The project has been able to connect 10



Trucks leaving Inland Clearing Depot at Torkham border point.



An irrigation intake, being built under the World Bank-financed project in Jalalabad city.

VSAT/VPN and 18 VHF/HF/Mobiles/Repeater sites. Progress on rehabilitation/construction of key infrastructure has been satisfactory. More than 56 facilities have been rehabilitated, constructed, or functionally improved including the main headquarters building for Customs and Revenue in Kabul. Work on construction and improvement of Jalalabad ICD is nearing completion with a physical progress of 90%. Design of Khost ICD has been completed, and procurement process has been initiated for award of civil works contract at the earliest.

The project is supporting the General Directorate on Trade and Transit Facilitation (GDTTF) in Ministry of Commerce and Industries in technical and operational matters to strengthen the Ministry's policy making capacity in the area of transit and trade facilitation. The project has also been instrumental in providing help to the Afghan Freight Forwarding sector to enable it to operate in compliance with international rules and standards. International Freight Forwarders Association (FIATA) has approved freight forwarding training course to be conducted in Kabul, Herat, Mazar-e-Sharif and Kunduz. In this context an initial training session was organized in Kabul in March 2008.

The Emergency Irrigation Rehabilitation Project (US\$40 million Credit, US\$53 million Grant, and US\$6 million Government Fund) is helping to provide water to farms in the project areas, with improved reliable and equitable distribution of irrigation water. This will help increase agricultural productivity and farm income, improve food security and livelihoods, and reduce vulnerability due to droughts, through the rehabilitation of the national irrigation system in all five river basins of Afghanistan. To date, six regional offices in Kabul, Jalalabad, Kandahar, Balkh, Kunduz, and Herat have been established to develop institutional capacity at the local level. As of May 31, 2008, 685 subproject proposals, costing about US\$59.75 million, had been prepared. Out of these, 658 subprojects totaling US\$55.22 million are approved; contracts for 634 subprojects worth US\$44.49 million had been awarded and are ongoing; and 503 subprojects worth US\$28.08 million had been completed. In addition, the first phase of the works under the contract for the emergency repair works to Band-e-Sultan Dam, costing about US\$500,000, had been completed, and design for the second phase of this project reviewed and submitted for approval. The work under the Feasibility Study of the Lower Kokcha Irrigation and Hydropower Multipurpose Project on the Kokcha River in the Amu River Basin is ongoing. The contract was completed (US\$3 million) in 18 months and the final feasibility report is expected shortly.



Farmers working in their farm near Kunduz.

The Afghanistan Investment Guarantee Facility (AIGF), in cooperation with World Bank's Multilateral Investment Guarantee Agency (MIGA), is intended to assist Afghanistan in its reconstruction efforts by stimulating foreign direct investment through a program of political risk insurance in an environment where the perception of political risk by foreign investors is very high. The project is designed to stimulate private business activity and attract foreign private investment in a variety of sectors. It will stimulate the local economy, generate employment, create tax revenues, and assist in the transfer of modern technologies and business practices from abroad to Afghanistan.

Despite the deteriorating business environment, which impedes the flow of foreign direct investment to Afghanistan, the AIGF has been making steady progress. To date, a total of six guarantees have been underwritten with the AIGF for five beneficiaries covering the agricultural, financial, pharmaceutical, construction, and telecommunication sectors. The total associated foreign investment of the projects under the AIGF is about US\$107 million with approximately 1,200 jobs created as a result.

Kabul Urban Reconstruction Project (US\$25 million Credit and US\$5.6 million ARTF Grant) is supporting reconstruction and rehabilitation in 19 of Kabul's most vulnerable neighborhoods where the majority of the urban poor live in informal settlements. The objective is to assist approximately 100,000 residents in gaining access to basic services such as water, sanitation, and solid waste management, and in obtaining secure land tenure. These measures will help to mend the urban fabric of this important city that is struggling to accommodate thousands of returnees. Building capacity in both the Ministry of Urban Development and Kabul Municipality are critical components of the project. The project uses a community-based methodology to determine, plan, and implement service delivery in targeted neighborhoods. Thus far, the community consultation and engineering design for the supply of services is completed or underway in 14 neighborhoods. Work has started in nine neighborhoods and includes: 63 km of internal neighborhood roads, 62 km of drains, 2,900 household water connections, improvements to 5,900 toilets, construction of 54 community bins for waste, and the supply of 3,000 street lights. The project has also assisted Kabul Municipality is improving its accounting system so as to ensure a greater degree of transparency.

The Emergency Power Rehabilitation Project (US\$105 million Credit and US\$20 million ARTF Grant) aims to improve supply of electricity to Kabul through the rehabilitation and expansion of city distribution networks; connection of the future North East Transmission System to the Kabul city grid to allow the import of lower cost power to Kabul; rehabilitation of the 100 MW Naghlu Hydropower Plant (the largest hydro generation station in Afghanistan and currently supplying Kabul) and the associated transmission line; and the restructuring and commercialization of the power utility to improve service delivery. The project is progressing well. The rehabilitation work of 110 kV transmission line from Naghlu to Kabul has been completed and the line is delivering available power from Naghlu, Mahipar, and Sarobi without any interruptions. Contractors for all other works have mobilized and the work is progressing on the ground. The project is expected to show significant progress in the later half of 2008 and is expected to be completed in 2010.

Urban Water Sector Project (US\$40 million Grant) aims to initiate actions to: (i) transform the Central Authority for Water Supply and Sewerage (CAWSS) into a technically viable operation; (ii) establish the financial sustainability of the Afghan Urban Water Supply and Sanitation Company (AUWSSC, CAWSS' successor); (iii) increase access to and reliability of the water supply service in Kabul; (iv) and, prepare a follow-up project under which more substantial institutional and financial objectives can be achieved and coverage further expanded in Kabul and provincial towns. To achieve these objectives, the project includes three main components: (i) institutional development of AUWSSC; (ii) financial support to AUWSSC operations; (iii) and, an extension of the Kabul water supply system. The project is financed in parallel by the German Development Cooperation Agencies (KfW and GTZ). Following the announcement of the sector policy and institutional development plan in October 2005, a Presidential decree to corporatize CAWSS was issued in January 2006. The Working Group mandated under the decree was established in April 2006 and the consultants to support the Working Group were mobilized in Kabul in September 2006. The Articles of Incorporation of the new AUWSSC were approved by the Cabinet on July 9, 2007, and gazetted by the Ministry of Justice on July 11, 2007; the Board of Directors is meeting regularly, and the recruitment of the management team is imminent, whereas the transfer of assets and liabilities is on schedule. The procurement of various consulting services is ongoing, and construction contracts for the implementation of the investment program are likely to be tendered in mid-2008.

Emergency Horticulture and Livestock Project (US\$20 million Grant and US\$11 million ARTF Grant): The project is designed to stimulate the marketable output of perennial horticulture and livestock. It aims to improve the incentive framework for private investments and contribute to strengthening the institutional capacity in the livestock and horticulture subsectors. The project will also make a positive contribution to the government's counter-narcotics agenda. It is designed as a multi-donor investment program with an estimated cost of US\$50 million. So far the project has been financed through IDA's US\$20 million grant and from ARTF for US\$11 million. The project reflects the first time slice of a long-term program that will unfold over the coming decade to support the horticulture and livestock subsectors nationwide. A National Union for Horticulture Development in Afghanistan (NUHDA) will be established under the project to provide policy, regulatory, and marketing development of perennial horticulture in the country. The project has launched rehabilitation of orchards and development of new orchards in selected project areas in line with the five-year investment plan of the Ministry of Agriculture, Irrigation and Livestock (MAIL). Initial nursery development and farmer demonstration activities for horticulture orchard



View of Jungle Bagh (Jungle garden) in Sheberghan, the provincial capital of the northern Jawzjan. (Photo by UNAMA)

rehabilitation and expansion have begun and are progressing satisfactorily in the field. The MAIL has hired the Food and Agriculture Organization (FAO) as the facilitating partner for Integrated Pest Management (IPM) in the contemplated horticulture program. Activities under the livestock component of the project are also in progress. The MAIL has hired Afghanistan Veterinary Association (AVA); selection of a facilitating partner for semi-intensive poultry development is in final stages. This project component will help about 25,000 rural women enhance their incomes from rural, backyard, small-holder poultry production activities. Selection of a facilitating partner for set-up a 50 ton/day dairy plant near Kabul is also processing.

Sustainable Development of Natural Resources Project (US\$30 million Grant) supports a number of measures to ensure competition, transparency, and adherence to international investment standards. In many countries, this is a sector prone to corruption. This project is supporting the government to help ensure that the revenues from these valuable resources are available to the country as a whole and not captured through corrupt practices. It will also help to attract and retain qualified local and international investors. Among the innovative approaches the government will use to manage the sector is the Extractive Industries Transparency Initiative – a set of principles that supports improved governance through full publication and verification of company payments and government revenues from oil, gas, and mining. In addition, an International Advisory Council is being established to assist the government in evaluating the strengths and benefits of proposed contracts for Afghanistan in developing its natural resources.

This project is currently under execution. A project management unit has been established within the Ministry of Mines to assist in the implementation of the project. A number of contracts are underway, including those of senior advisors in mining and petroleum, drafting of mining regulations, and logistical and material support to the ministry. Other contracts are under advanced stages of procurement, including cadastre management services, and geological survey support. Also, the project is assisting the government to complete the tender process for the development of the Aynak copper deposit. A preferred bidder has now been selected based on the international tender, and the Bank will provide ongoing support for the government in terms of access to qualified legal and technical advisors to ensure that a fair and sustainable agreement results from the negotiations.

Private Sector Development (PSD) Support Project (US\$25 million Grant) aims to provide land services and facilities, including electricity, water and telecommunications, and build capacity of government agencies to develop and implement PSD-related programs. It will also help improve the capacity of the government and its agencies to promote Afghanistan as an investment destination, and provide investment facilitation services. The project will fund the construction of an industrial park in Hissar-e-Shahi near Jalalabad. This industrial park will help stimulate the local economy, generate employment, and raise much needed tax revenues.



View of Pajshir valley.

Japan Social Development Fund

The JSDF was established by the Government of Japan in 2000 as a means of supporting activities which directly respond to the needs of poor and vulnerable groups, enhance their capacities, and strengthen their empowerment and participation in the development process. The fund is administered by the World Bank.

The Government of Japan and the World Bank agreed to set up a special window within the JSDF to support activities in Afghanistan under a three-year program of assistance for the country's reconstruction and transition toward political, economic, and social stability.

Since the project was approved by the Board in February 2007, significant human capacity has been built in the Afghanistan Investment Support Agency's (AISA's) Industrial Parks Development Department (IPDD) to implement the project. Moreover, significant progress has been made towards the construction of the industrial park, and the civil construction contract has already been awarded. The preliminary survey, land leveling/grading is about 90 percent complete; boring of two deep wells is almost completed; and construction of the boundary wall is in progress with 20 percent completed. The processing for other tenders on water treatment plants and solid waste disposal and electrical equipments has progressed substantially, and tender invitation is expected in September 2008. The progress on building the capacity of the Research and Policy Department (RPD) of AISA and the PSD Directorate in the Ministry of Commerce and Industries is in progress. The World Bank Institute (WBI) is also assisting RPD to create sustainable analytical capacity.

Civil Service Reform Project (US\$20.4 million Grant) aims to support key government ministries to improve their performance in terms of service delivery and accountability for the use of public resources. To meet this objective, the project will provide support to core ministries as they reorganize their structures and staffing so as to better perform their tasks. The project will also support the government in managing the civil service according to clear rules and procedures.

JSDF US\$22.4 million Grant to support innovative post-conflict projects Ongoing projects include:

National Emergency Employment Program for Demobilization, Disarmament and Reintegration, and Rural Livelihood Support (NEEP/DDR/RLS) (US\$19.6 million Grant):

The grant was provided to the ongoing NEEP to support its efforts to create employment opportunities for ex-combatants in order to facilitate their re-integration into society and contribute to the government's alternate livelihood program in opium poppy producing areas. The JSDF grant focuses on helping former combatants re-integrate into society and is a component of the broader Afghanistan New Beginnings Program (a Japanese-funded government initiative). The emphasis of the program is on developing skills that can provide access to long-term employment, and job opportunities depend on a stable and growing economy. The grant is being implemented by the Ministry of Rural Rehabilitation and Development (MRRD) through the United Nations Office for Project Services (UNOPS), with distinct training and road rehabilitation components, which are interlinked. As of end-February 2008, approximately 3,700 ex-combatants and rural poor had completed their work-based training in road and crafts constructions, combined with academic training at vocational institutions. This number includes 57 specialized technicians who have completed four-month technician courses at two universities in Kabul and Kandahar. An estimated 90 percent of these graduates in crafts skills are employed in and outside of the Rehabilitation and Alternative Livelihoods (RAL) construction projects. The projects are rehabilitating approximately 350 km of roads in 13 provinces. Twenty-five out of 30 projects have been completed with overall physical progress of more than 90 percent.



Government civil servant work at a provincial department in Herat city.

The Afghanistan Reconstruction Trust Fund

The ARTF is designed to strengthen ownership and leadership of the government, which is essential for reconstruction assistance to be effective. The fund supports the government's program of activities as prioritized in its national budget.

The Fund is designed to:

- Promote transparency and accountability of reconstruction assistance
- Help reinforce the national budget as the vehicle to align the reconstruction program with national objectives
- Reduce the burden on limited government capacity while promoting capacity-building over time
- Help fund the recurrent budgetary expenditures required for the government to function effectively

Channeling support through the ARTF has helped the government to avoid addressing the distinct funding specifications of 28 different donors, allowing the assistance to be used more efficiently and effectively without the risk of duplication of work.



Students learn woodworking at a vocational training center in Kabul.

A total of 879,127 labor days are being generated under these projects.

Creating Future Potential Entrepreneurs: Targeting Youth (US\$2.98 million Grant): This grant is improving the economic and social status of youth by preparing them for careers and assisting them with developing a means to generate income on a sustained basis. The program will work with boys and girls aged 12 to 28. Construction of the four youth centers in Faryab, Kandahar, Kabul, and Mazar has been completed. Over 2,500 young boys and girls are being trained in vocational skills by the Ministry of Social and Labor Affairs (MOLSA) and contracted NGOs (ASCHIANA, Afghan Development Agency, and Humanitarian Assistance for Women)

AFGHANISTAN RECONSTRUCTION TRUST FUND

The multilateral Afghanistan Reconstruction Trust Fund (ARTF) was set up in May 2002 to provide critical financial support to Afghanistan. The fund has two windows: the recurrent window channels funding for the recurrent costs of government, including salaries for teachers, health workers, and civilian staff throughout the country. The investment window channels funding for investment projects such as rural infrastructure development, human development and capacity building, and core economic infrastructure, including power.

The ARTF is administered by the World Bank under the supervision of a Management Committee (MC) comprising of the Asian Development Bank, the Islamic Development Bank, the United Nations Development Program, and the World Bank. Government representatives (mainly from the Ministry of Finance) also participate in the monthly Management Committee meetings as observers. A monitoring agent has been contracted to assist in ensuring proper fiduciary management for the recurrent cost financing done under ARTF.

As of June 20, 2008, 28 donors had pledged over US\$3 billion to ARTF, of which US\$2.5 billion has been received. More than US\$2 billion has been disbursed to the Government of Afghanistan to help cover recurrent costs, and US\$815 million had been made available for investment projects. Donor contributions have increased every year since inception and the fund is set to evolve into a key financial source of support for the ANDS. The fund is also a critical part of the aid architecture in Afghanistan, ensuring that transaction costs of dealing with many donors are kept to a minimum.

The ARTF Recurrent Costs Window (US\$1.3 billion)

The ARTF recurrent window finances salaries and wages of more than 250,000 non-uniformed civil servants, over half of whom work outside the city of Kabul, and the government's operating and maintenance expenditures outside of the security sector, including bulk purchases of essential supplies. The 1386 (Solar Year) National Budget includes US\$291 million in disbursements from ARTF for recurrent costs. Over the last three years, the Government of Afghanistan has established a new framework for Public Finance Management comprising the national budget as the main policy instrument; a commitment to transparency; and, a centralized computerized system, the Afghanistan Financial Management



Villagers work to rehabilitate a road in a village in Kapisa Province.

Information System (AFMIS), to issue checks and record revenues and expenditures of the ordinary and development budgets. Parallel improvements have been made in the Da Afghanistan Bank payment systems. The recurrent window is administered by the World Bank with support from the Monitoring Agent, PriceWaterhouse Coopers (PWC). The Monitoring Agent works with the Ministry of Finance to ensure the eligibility of expenditures financed through ARTF and tracks overall operating budget performance.

Currently, there are 12 ongoing investment projects funded by the ARTF, with a combined commitment of around US\$561 million (see below). For ARTF co-financed investment projects, please see above.

National Emergency Employment Program, Phase I (NEEP-I) (US\$52.82 million): NEEP-1 evolved from the IDA Grant-funded Labor-Intensive Public Works (LIPW) Roads component of the Emergency Community Empowerment and Public Works Program. The project is aimed at assisting the government in providing employment in rural areas at a minimum wage, as a safety net, to as many people in as short a time as feasible, through rural access and irrigation rehabilitation sub-projects. Physical works under the original NEEP-1 Grant of US\$16.62 million were 100 percent completed by 31 July 2005. NEEP-1 was further extended after receiving additional funding of US\$36.2 million from United Kingdom Department for International Development (DFID), United States Agency for International Development (USAID), CIDA, and the Australian Agency for International Development (AusAid), through the ARTF. As of February 2008, under NEEP-I, approximately 2,850 kms of rural access and 6,500 meters of cross drainage structures were completed. In addition 98 natural resource management sub-projects, 23 small irrigation sub projects and four large irrigation sub-projects (rehabilitating 15,000 hectare in Shamalan area) have been completed. Out of the 536 contracts awarded, 472 have been completed, while on 31 contracts the works are ongoing, and 34 terminated or cancelled due to various reasons. Labor days generated under the project are 5.13 million, and it is expected that once final payments have been completed 6.24 million labor days would have been paid. Sub-projects under NEEP-I (and with further continuous financing under follow-on NEEP Projects) have now reached to all provinces of Afghanistan.



Children use a newly constructed handpump to fetch water in Kunduz city

The ARTF-financed Urban Water Supply and Sanitation Project (UWSS) provides US\$41 million to support the government's short-term UWSS program. The first tranche of US\$20 million was made available in February 2005 and the second tranche of US\$21 million became effective in November 2005. The project has five components: Kabul water supply, Kabul sanitation, provincial towns WSS, engineering support and technical assistance, and financial support to the Central Authority for Water Supply and Sewerage (CAWSS) operations. The Kabul water supply and provincial towns WSS components are based on feasibility studies that have been completed for Kabul (financed by KfW) and 11 provincial capitals currently served by CAWSS. In addition, the ARTF has also financed feasibility studies for 11 cities not yet served by CAWSS. The Kabul sanitation component is based on the strategic sanitation plan and associated master plan covering municipal solid waste, on-site sanitation, and sewerage and storm water drainage. Investment

components are currently at various stages of implementation. In particular, drilling works for Kabul water supply are almost complete, but the award of the next three construction contracts is being delayed because of price escalation considerations. A few small-scale interventions were carried out for Kabul sanitation up to now, but the contracting of the two major works has to be re-tendered. Simultaneously, goods worth US\$10 million for the provincial towns WSS were received in Afghanistan, and most contracts for pipe-laying were finalized while contracts for reservoirs construction are being awarded. Contracts with technical support agencies are ongoing for all project components. The financial support to operations has been effective since August 2005 and was terminated in March 2007. This has significantly contributed to building the management capacity in all 14 units of CAWSS and detailed technical, financial, and commercial data have been generated for the first time. CAWSS is now about to be incorporated into the Afghan Water Supply and Sewerage Corporation (AUWSSC).

The Improvement of Power Supply to Kabul project (US\$7.4 million) is working to improve the availability and reliability of power supply in Kabul by supplementing and extending activities financed under Afghan-German financial cooperation. It has the following three components: partial rehabilitation of Mahipar Hydropower Station, rehabilitation of 110 KV transmission lines, and supply and installation of street lighting in Kabul. The transmission and street lighting components have been completed. The hydropower rehabilitation is partially complete with one unit commissioned in May 2007. The second unit is expected to be completed by December 2008.

Power production in Mahipar is key for power supply in Kabul during the winter as the river feeding this power station has water only during this season (December–May) without any other competing usage. Energy produced in one unit in Mahipar plant can supply at least 16,000 households during the winter (assuming the average consumption of 200 kWh/month in Kabul). In addition, the energy produced from one unit would replace the thermal requiring 12 million liters of fuel, which would cost about USD\$11 million at current oil prices.

Kabul/Aybak/Mazar-e-Sharif Power Project (US\$57 million): is working to provide reliable and quality power to the consumers in the target areas of the cities of Kabul, Aybak, and Mazar-e-Sharif. The project would support investments to: (i) strengthen the low-voltage distribution network through rehabilitation/upgrading of old and dilapidated infrastructure in parts of Kabul with the aim of improving the reliability and quality of electricity supply and services in the target areas, as well as accountability of power utility; (ii) construct a new 220/20 kV substation and associated 20 kV lines at Aybak to provide quality, reliable, and clean grid power to the residents of Aybak town; and (iii) rehabilitate and augment the transmission facilities for the medium- and low-voltage distribution network in Mazar-e-Sharif. In addition, the project would support institutional capacity building for operation and maintenance of the distribution systems, as well as the establishment, operation, and handover to DABS (Da Afghanistan Brishna Shirkat – Afghanistan Power Utility) of a customer care center in the target area. Contractors for implementation of work at Kabul and Mazar-e-Sharif have been selected through international competition, and the preparatory work has started. The contractor for Aybak and the Mazar substation augmentation is under selection.

Rural Water Supply (US\$5 million) project has two objectives: (i) improve the health of rural communities by integrating health and hygiene education/awareness with the provision of water supply and sanitation services; (ii) and strengthen and build the capacities of the central and provincial governments, NGOs, private sector, and the communities for sector development, so as to scale up provision of sustainable water supply and sanitation services. This project will specifically help alleviate the rural community water supply problem through the implementation of 950 rural water points and 15 gravity pipe schemes, integrated with hygiene education, promotion for expanding the use of hygienic sanitation facilities, and establishment of community based operation and maintenance management systems. The Program Implementation Unit (PIU) is now in place and the support organizations are fully deployed in each of the eight provinces covered by the project (Samangan, Sari-Pul, Kunduz, Takhar, Baghlan, Jowzjan, Badghis, and Kabul). The mobilization phase, with district demand collection, provincial planning and community action plans is completed in each of the four districts selected in the eight provinces. Software activities such as hygiene promotion and O&M training are ongoing, and the physical works for construction of water points and sanitary latrines for demonstration is well underway in all eight provinces. Contracts for the construction of a few remaining gravity pipe schemes were recently awarded but the two studies are left to be tendered.

Afghanistan Justice Sector Reform Project (Phase 1) (US\$27 million): In line with the ANDS and National Justice Sector Strategy (NJSS), the ARTF project's development objective is to strengthen a centralized state justice system and to increase access to justice for the Afghan people. The project's immediate objective is to enhance the capacity of the justice sector institutions to deliver legal services. This will be achieved primarily through more strategic human capital

and physical infrastructure management, increasing the skills of justice sector professionals, and enhancing the physical infrastructure used to deliver legal services.

As the Government of Afghanistan and the international donor community agreed at the 2007 Rome Conference on the Rule of Law in Afghanistan (convened by Afghanistan and Italy and jointly chaired by the United Nations), there is an urgent need to improve the coordination, integration, and funding of investments in the Afghan justice sector. As part of their Joint Recommendations, the Rome conference participants agreed to elaborate a comprehensive National Justice Program and establish a pooled funding mechanism to support the NJP. The conference invited the World Bank to assist in the design of the pooled funding mechanism and noted that the ARTF showed the most potential.

The implementation of the NJSS and the National Justice Program is a long-term process which will require continuing support through a number of programs and projects, only some of which will be financed by the ARTF. It is hoped that the use of the ARTF as a significant source of pooled funding will facilitate a coordinated approach among international donors in the justice sector, reduce duplication, minimize transaction costs, and thus significantly increase the development impact of donor contributions in this sector.

Afghan Civil Service Capacity Building Program (US\$13 million) consists of two components:

The first component — **Afghan Expatriates Program (AEP) (US\$10 million)** — will increase the contribution of professional Afghans living abroad to the reconstruction of Afghanistan by inviting them to play a role in formulating public sector policy and building institutional capacity. This component also aims to close the skills gap of the Afghan people in information technology, engineering, and teaching by getting well-trained overseas Afghans to return and provide local Afghans with on-the-job training to enhance their technical skills. Since September 2004, around 92 Afghan experts from overseas have been placed in government ministries and agencies.

The second component — **Lateral Entry Program (LEP) (US\$3 million)** — includes a pilot phase, which aims to place 100 lateral entrants from NGOs and international organizations in middle- and senior-level line positions in government ministries and agencies for a period of up to two years. They will assist with the reform and restructuring process and help build institutional capacity. If successful, the pilot phase will be expanded. Since August 2005, around 100 lateral entrants have been recruited.

The Management Capacity Program (US\$10 million) will help ministries to temporarily improve their capacity in key managerial areas. This should enable the government to manage resources more effectively and deliver results faster on the ground. The program will fund qualified Afghan staff, currently working in NGOs and international agencies, to work in critical positions in government in areas such as financial management, procurement, human resource management, policy, and administration. Priority will be given to positions in the sub-national offices of line ministries. This program is expected to replace the AEP and LEP in the near future.

Technical Assistance and Feasibility Studies (US\$18.5 million)

This project provides technical assistance to line ministries to make programs and projects suitable for funding by key development partners or private sources. Specialists have been recruited to help guide the preparation and supervision of reconstruction and development activities, and to design and supervise feasibility studies. In addition, the project funds feasibility studies by qualified firms for the preparation of larger investment projects.

All dollar figures are in US dollar equivalents.

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