

# Quarterly Country Update

Afghanistan

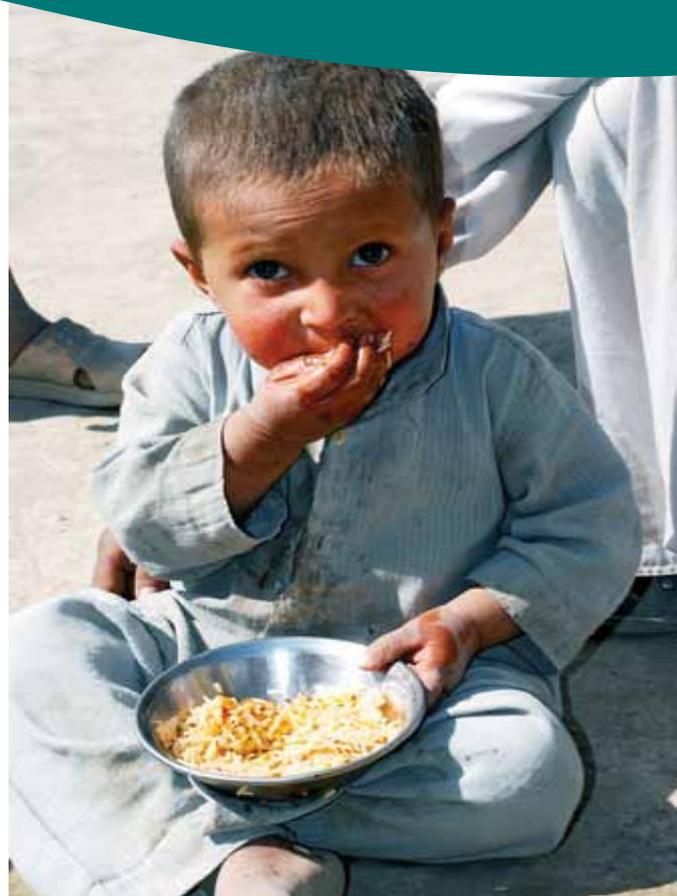
## Introduction

On June 26, President Karzai introduced his choices for seven cabinet positions to the Wolesi Jirga (Lower House of Parliament). On June 28, after listening to work plans and strategies of the proposed ministers, MPs cast their vote of confidence through secret balloting. Five of the seven proposed ministers secured the parliamentary vote of confidence. With the approval of these ministers, 7 portfolios of President Karzai's 25 member cabinet still remain outstanding. Since being reelected as the President last year, Karzai sent three rounds of nominations to the parliament. In the first round only 7 out of 24 proposed ministers obtained the vote of confidence from the parliament whereas in the second attempt again 7 out of the 17 proposed ministers secured the confidence vote.

On June 21 – 24, fifteen members of the United Nations Security Council visited Kabul to assess the situation for themselves. The Security Council's visit was also to demonstrate their continued support for the Government and the people of Afghanistan as they strengthen the foundations to ensure a sustainable peace for all. The Security Council reviewed the progress made by the Afghan Government, with the assistance of the international community, assessed the implementation of relevant Security Council resolutions, and looked ahead to issues on the agenda for the Kabul Conference on July 20. For more information, please visit: <http://unama.unmissions.org>

On 23 June, Afghanistan's Independent Election Commission (IEC) announced the final list of candidates for Afghanistan's second parliamentary election. The final list of Wolesi Jirga contestants includes 2,577 candidates, 405 of them women. Contestants are aspiring for 249 seats in Afghanistan's Lower House of parliament. Afghanistan's second legislative poll is scheduled for September 18 this year, while security has remained the main challenge for the process.

On 21 June, the United Nations Office on Drugs and Crime (UNODC) and the Government of Afghanistan released findings from a survey on Drug Use in Afghanistan. The survey shows that around one million Afghans (age 15-64) suffer from drug addiction. At eight per cent of the population, this rate is twice the global average. For more information, please visit: <http://www.unodc.org>



A little child has a meal on a neighborhood sidewalk in Kabul.  
(Photos: Pajhwok Afghan News)

On 02-04 June, a National Consultative Peace Jirga (conference) was held to seek ways to secure a lasting peace in the country. Some 1,600 delegates representing all walks of life participated, including members of both Houses of the Parliament, Provincial Councils, religious scholars, tribal leaders, civil society organizations, as well as Afghan refugees residing in Iran and Pakistan. At the end of three days, the delegates passed a resolution. For more information, please visit: [http://president.gov.af/Contents/88/Documents/1834/resolution\\_English.htm](http://president.gov.af/Contents/88/Documents/1834/resolution_English.htm)

On April 29, a two day summit of the leaders of South Asian Association for Regional Cooperation (SAARC) countries was held in the Bhutanese capital of Thimphu. The SAARC nations reiterated their firm determination to combat terrorism, illegal drug trafficking and people smuggling. In a declaration issued on the conclusion of the event, the leaders reaffirmed their commitment to the implementation of the SAARC Regional Convention on Suppression of Terrorism and its Additional Protocol. Also emphasized were greater regional efforts at poverty alleviation, and expeditious mainstreaming of SAARC Development Goals (SDGs) in the national processes and completion of the mid-term review of the SDGs as scheduled. For more

According to the Afghanistan Public Expenditure Review, the Government of Afghanistan has made some notable fiscal advances in recent years. The Public Financial Management (PFM) system, especially at the Ministry of Finance (MoF), has undergone a structural transformation, confirmed by significant improvement in the Public Expenditure and Financial Accountability (PEFA) indicators between 2005 and 2007. More information available on: <http://go.worldbank.org/IFYJGSRDW0>

Independent evaluation of NSP I and II has shown:

- NSP alters the structure of village governance by increasing the number of villages with functioning councils, and providing greater participation of villagers.

- A higher proportion of villagers now believe that Government officials at the national and local levels are working in the interest of all villagers. However, the program does not seem to affect the level of trust within a village or the incidence of disputes, feuds, or attacks.

- NSP stimulates the provision of dispute mediation and greater engagement of women in community activities. It also appears to make men more accepting of female participation in selecting the village headman and increases the prominence of, and respect for, senior women in the village.

- Early evidence shows that NSP has a positive impact on some services, infrastructure, and utilities. It finds that completed water projects are successful in improving the availability of safe drinking water, and that electricity projects have strong impacts on connectivity and usage. However, road and irrigation projects had fewer impacts. This is as expected given that most of these projects are only just becoming operational.



information, please visit:  
<http://www.saarc-sec.org>

#### **WORLD BANK GROUP SUPPORT**

Since April 2002, the World Bank has committed over \$2 billion for development and emergency reconstruction projects and four budget support operations in Afghanistan. This support comprises over \$1.66 billion in grants and \$436.4 million in no-interest loans known as “credits.” Currently, the Bank has 23 active projects in Afghanistan with net commitments of over \$883.61 million.

So far, a number of Bank-financed projects have been completed which include the rehabilitation of education, emergency public works, the reconstruction of infrastructure, emergency transport rehabilitation, health sector reconstruction, emergency communications project and the first phase of a public administration project as well as four budget support operations. For more information about closed projects, please visit:

[www.worldbank.org.af](http://www.worldbank.org.af) – Projects & Programs page.

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

“The World Bank currently has 23 active projects in Afghanistan with net commitments of over \$883.6 million.”

bilateral agencies across a number of sectors where aid coordination and government ownership are most critical.

On June 20, the World Bank released the Afghanistan Public Expenditure Review (PER). The PER is a joint venture between the UK Department for International Development (DFID) and the World Bank, and is based on information available as of March 31, 2010. According to the review, the government has made some notable fiscal

#### **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 multi-year program of assistance for the country’s reconstruction and transition toward political, economic, and social stability.

advances in recent years. The Public Financial Management (PFM) system, especially at the Ministry of Finance (MoF), has undergone a structural transformation, confirmed by a significant improvement in the Public Expenditure and Financial Accountability (PEFA) indicators between 2005 and 2007. For more information, please visit: <http://go.worldbank.org/IFYJGSRDWO>

On May 08, 2010, the Government of Afghanistan and the World Bank released findings from an independent evaluation of the National Solidarity Program. The evaluation was conducted by a team of independent researchers from Harvard University, the Massachusetts Institute of Technology (M.I.T.), and the New Economic School in Moscow. They looked at how NSP affects local governance structures, access to services and infrastructure, economic activity, female participation in community activities, political opinion and social cohesion. The evaluation relates to the second phase of NSP (NSP II) started in 2007 and aims to give policy makers and NSP donors evidence, based on scientific evaluation methods, of the program’s interim impact as it enters its third phase. Findings from the independent evaluation indicate that NSP is having a positive impact on the lives of villagers – both improving access to critical services



**The NSP has reached over 19 million Afghans. Over 22,260 communities have elected Community Development Councils.**

and creating opportunities for women to participate in local governance. For more information, please visit: <http://www.nsp-ie.org>

The International Finance Corporation (IFC), the World Bank Group's private sector development arm, continues to work with its investment partners in Afghanistan. IFC now has an investment portfolio totaling more than \$90 million in six companies. This includes commitments in the financial (First Microfinance Bank of Afghanistan, BRAC Afghanistan Bank, Afghanistan International Bank), telecom (MTN Afghanistan), hospitality (Serena Kabul Hotel) and healthcare (Acomet Family Hospital) sectors. Moreover, IFC continues to work on its pipeline of projects in a variety of sectors in order to expand its Afghan investment portfolio.

IFC's Advisory Services continue to support Afghanistan's Central Bank in order to increase the private sector's access to finance. As part of the World Bank's Financial Sector Strengthening Project, IFC is providing technical assistance to the Central Bank in order to establish two basic financial sector infrastructures in the country: (i) a Public Credit Registry that will provide lenders with information for efficient risk assessment on borrowers; (ii) a Collateral

Registry for movable property that will provide lenders with the ability to effectively use borrowers' property as collateral. IFC's involvement in these two projects includes an assessment of the legal and regulatory framework, support in the preparation of the necessary new laws and regulations required for the establishment of this infrastructure, assistance in raising awareness among the relevant stakeholders, and providing advice regarding the necessary IT systems. Besides these two projects, IFC continues strengthening the Afghan financial sector through capacity building of various financial institutions, as well as assisting the government to establish the legal framework for leasing. Additionally, IFC's Advisory Services keep supporting the development of Afghan SMEs by expanding the reach of its Business Edge management and business skills training program.

The Afghanistan Reconstruction Trust Fund (ARTF) is a partnership between the international community and the Afghan government for the improved effectiveness of the reconstruction effort. Since early 2002, 32 donors have contributed over \$3.7 billion (as of May 21, 2010), making ARTF the largest contributor to the Afghan

budget – for both operating costs and development programs. ARTF's support for national priority programs, for operating costs of government operations, and for the policy reform agenda is contributing to the achievement of the Afghanistan National Development Strategy goals. More than \$1.95 billion has been disbursed to the Government of Afghanistan to help cover recurrent costs, such as civil servants' salaries, and over \$1.03 billion has 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 May 2010, JSDF's current commitment to Afghanistan had reached \$32.9 million. A number of JSDF financed projects have been completed so far. For more information, please visit <http://go.worldbank.org/U5OQZVF200>.

#### **STATUS OF ONGOING OPERATIONS**

**Emergency National Solidarity Project (NSP) (\$398 million Grant, \$618 million ARTF Grant and \$15 million JSDF Grant):** This is the Government of

Afghanistan's flagship program to support small-scale reconstruction and development activities identified by Community Development Councils (CDCs) across the country. The World Bank is one of the main sources of financing for the NSP. Other sources include the ARTF, the JSDF, and several bilateral contributors. Between early-May 2003 and June 2010, the NSP has reached over 19 million Afghans. Approximately 22,650 communities have been mobilized, and 22,260 communities have successfully elected Community Development Councils (CDCs). These CDCs are established through the assistance of 28 NSP Facilitating Partners who mobilize the community, facilitate elections and community development planning through community consultation, assist in project preparation and implementation, and also provide capacity building to CDC members.

Approximately 50,000 community subprojects have been partially or fully financed, of which some 40,400 subprojects have been completed. About 80 percent of the community subprojects 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 subprojects financed under the NSP focus on social and economic infrastructure and are based on the priorities of the rural population. Of the currently funded community subprojects, 24 percent address water and sanitation issues, 16 percent rehabilitate irrigation systems, 24 percent improve transportation infrastructure (e.g. roads, bridges), 15 percent provide energy (e.g. micro-hydro, solar energy), 5 percent

improve livelihoods and income-generation, 14 percent work on education infrastructure, and 2 percent go towards other investments. The NSP is active in 359 of Afghanistan's 364 districts and all of Afghanistan's 34 provinces. As of June 12, 2010, over \$700 million of block grants had been disbursed to CDCs.

In addition to subproject implementation, NSP has effectively strengthened community-level governance by establishing a network of CDCs. CDCs are the village-level representative body and form a basis for interaction within and between communities as well as with government bodies and other aid agencies. The CDCs are also increasingly becoming the platform for dispute resolution at the community level. More information is available at <http://www.nspafghanistan.org>.

**National Emergency Rural Access Project (NERAP) (IDA \$112 million and \$50 million ARTF Grant):** The World Bank continues to support the government's rural access program. Following the successfully completed National Emergency Employment Program for Rural Access project (NEEPR), the Bank, on December 13, 2007, approved a grant of \$112 million for the National Emergency Rural Access Project. In keeping with the overarching objectives of the program, the project aims to provide year-round access to basic services and facilities in the rural areas of Afghanistan to enhance the well being of the population and promote economic growth in the country. Under the project, secondary roads are being rehabilitated by the Ministry of Public Works (MPW) and tertiary roads by the Ministry of Rural Rehabilitation and

Development (MRRD). The project proposes to rehabilitate approximately 2,010 km of rural roads and some 9,000 meters of drainage structures, generating 2.13 million unskilled labor days of employment. As of May 31, 2010, out of 83 secondary roads and drainage contracts planned/agreed to be undertaken by MPW, 64 contracts were awarded and the remaining are under development and at the procurement stage. 442 km of secondary roads have been completed so far (out of a planned total 1081 Km) and 197 meters of running structures have been completed out of a planned total of 1471 meters. For tertiary roads, out of the 205 contracts planned by MRRD, 193 contracts have been awarded and the remaining are under development and at the procurement stage. 500 Km of tertiary roads have been completed so far out of a planned total of 925 Km, and 6691 meters of running structures have been completed out of a planned total of 8201 meters. The MPW has generated about 16,382,203 labor days of employment so far, and the MRRD over 755,842 labor days. Out of the total budget of \$162 million allocated for both MPW and MRRD for road rehabilitation, drainage works, and routine maintenance, approximately \$US54 million has been disbursed to date.

**Afghanistan Rural Enterprise Development Project (AREDP) (\$30 million Grant and \$18 Million ARTF Grant)** enhances participation of the rural poor in economic activities by providing business development services, improving their access to finance, and strengthening market linkages and value chains. The project will support the establishment of





There are now 13 microfinance institutions (MFIs), with a network of 304 branches in 26 provinces.

13,000 Savings Groups, 6,500 Enterprise Groups (EGs) and 1,300 Village and Savings Loan Associations. The EGs will help maximize the economic potential of rural entrepreneurs to improve market access, deliver technical knowledge, raise basic business skills, and leverage economies of scale to increase the value of their sales. The project will also work with around 750 Small and Medium Enterprises (SMEs) which are likely to be key drivers of rural employment. It will support SMEs in building necessary skills, promoting market development, and particularly encouraging business linkages into the rural economy. The project was declared effective on June 15, 2010.

**Expanding Microfinance Outreach and Improving Sustainability Project (MISFA) (\$30 million Grant and \$183.3 million ARTF Grant):** The project 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 microfinance from the broader mainstream financial system. Since its inception in 2003, the project has provided more than \$172.5 million in

funds, including \$118.2 million in loans. There are now 13 microfinance institutions (MFIs), with a network of 304 branches in 26 provinces, and more than 429,000 savings and loan clients. To date, the program has disbursed a total of 1.5 million loans across Afghanistan worth \$765 million. To date, the gross loans outstanding were \$102 million. Sixty percent of the clients are women, and the loan repayment rate is 93 percent. The sector now employs 4,122 people, approximately 1,547 of whom are women; and over 90 percent of professional positions and 50 percent of management positions in the sector are occupied by Afghans. According to findings of the Baseline/Impact study of the microfinance sector conducted in 2007, each MFI loan supports or creates 1.5 employment opportunities in Afghanistan. More information is available at:

“Sixty percent of the 429,000 microfinance clients are women.”

<http://www.misfa.org.af>

**Public Financial Management Reform Projects (\$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 ensure better use of public resources. The grants initially concentrated on funding consulting firms to support government officials in carrying out procurement and treasury operations, but have now shifted emphasis to building capacity in procurement and audit functions in the Treasury Department of the Finance Ministry. 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 873 government contracts valued at \$2.2 billion. A new procurement law has been enacted and related regulations and bidding documents have also been prepared along with standard bidding documents.

**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 has been expanded to all the line ministries in Kabul and all but one of the provincial offices of the Ministry of Finance, 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.

### **The Education Quality Improvement**

**Program (EQUIP)** consists of two projects: 1) EQUIP I (\$35 million Grant and \$44 million ARTF Grant) started in August 2004; and 2) EQUIP II (\$30 million Grant and \$171.74 million ARTF Grant) 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 Strategic Plan (NESP 1385-1389) and enjoys multi-donor support from the ARTF. Funds are used directly by communities through School Shuras for the rehabilitation or construction of school buildings and

**"Around 10,172 School Shuras are established to oversee construction or rehabilitation of schools."**

for accessing quality inputs, such as teaching and learning materials. The School Shuras are functioning in all provinces, and, as of now, 10,172 out of 12,000 schools have these Shuras. Shuras are assisted by the Provincial Education Departments, NGOs and District Educational Departments in all 34 provinces. EQUIP II supports the District Teacher Training Program in 23 provinces (the 11 other provinces are supported by the USAID). It also provides regional allowances for lecturers in 730 Teacher Training Centers (TTC) as well as scholarships for 2750 girls to attend Teacher Training Colleges for two years, following which

they are to join the teaching force in their local communities. It also supports the monitoring and evaluation of NESP (National Education Strategic Plan) programs, including the now established Education Management Information System at the Ministry of Education. In December 2007, the MOE successfully completed the school survey of Solar Year 1386. Updated survey data can be found on the MOE website <[www.moe.gov.af](http://www.moe.gov.af)>. It is envisaged that by the close of the two projects in 2012, some 1,592 schools will have been built, with a priority on girls' schools; 10,172 School Shuras formed and active, with 1,828 more Shuras to be formed; over 110,000 teachers and around 9000 school administrators trained; 2750 girls in 25 provinces receiving scholarships to complete their two-year studies at TTC; and 750 qualified lecturers recruited in 18 provinces. For EQUIP II, the ARTF Management Committee recently approved its first phase of support of \$50 million for 1388; additional funds of \$35 million will be disbursed in subsequent phases based on the results.

### **Strengthening Higher Education Program (SHEP) (\$40 million Grant and \$32 million ARTF Grant):**

The program aims to progressively restore basic operations 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, as well as through competitive block grants. Funds will also be provided to set up an institutional base to develop an agenda for tertiary education, capacity building and reform. The program is





**To restore basic operations, five Afghan universities have formed partnerships with eleven overseas universities.**

envisaged as the first phase of a long-term higher education development program in Afghanistan that will act as a catalyst to attract various resources to the Afghan tertiary education sector.

Under this program, eleven partnerships have been formed for five of the six participating universities with eight established overseas universities. These partner universities include: Kansas State University (USA), University of Hartford (USA), San Diego State University (USA), Asian Institute of Technology (Thailand), University of Brighton (UK), Delhi University (India), Ruhr Bochum University (Germany) and Technical University of Berlin (Germany), focusing essentially on Engineering, Computer Science, English Language, Natural Science and Economics/Management. Most partnership contracts are coming to an end in 2010 but will need to be extended to complete the deliverables. The usage of block grants to procure books, teaching materials, and IT equipment, and to rehabilitate libraries and classrooms and equip laboratories is continuing. Most procurement packages have been completed as per plan. Also, SHEP, with the support of other development partners,

is supporting the Ministry of Higher Education in the implementation of the 5-year National Higher Education Strategic Plan, aligned to the goals of the ANDS. To this end, the process for providing additional finances from IDA (The World Bank) is being finalized.

The ARTF Management Committee approved a blanket commitment of \$32 million in 2008 to support the construction of faculty buildings, libraries, and gymnasiums, as well as master plans and other activities to improve academic delivery in the universities of Balkh, Kandahar, Nangarhar, and the Kabul Polytechnic. The first phase of the ARTF funded activities is currently underway with \$5 million in the form of a Development Grant Agreement (DGA) that essentially covers design consultancy costs as well as the cost of supervising the construction of the buildings. Contracts for these activities have been signed for the Universities of Nangarhar, Balkh and Kandahar and are being implemented.

**Afghanistan Skills Development Project (\$20 million Grant and \$18 million ARTF):** The project is designed to increase the number of skilled Afghans and create a high-quality Technical Vocational Education and

Training (TVET) system that is equitable, market responsive, and cost-effective. More specifically, the project aims to 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 project has 4 components:

**Component 1:** Mainly focuses on the establishment of the Afghanistan National Qualifications Authority; Afghanistan National Qualifications Framework and Awarding Boards. Hiring of an expert consultancy firm is in progress to undertake the above mentioned activities for a period of 24 months after signing of the contract. The setup for the Committee on Education and Skills Policy (CESP) is in place and chaired by the First Vice President. The CESP Secretariat has been restructured and hiring of the staff is ongoing.

**Component 2:** In pursuance of its mandate to be a model TVET institution, National Institute of Management and Administration (NIMA) has been established and it implements competency-based curricula for its



New buildings for the Music School are currently under construction.

academic programs. The Maxwell Stamp PLC (MSP) took over the academic management during the second semester with 1,700 students. A significant feature is a Placement System where a cooperation-type sustainable industry- institution linkage is being forged necessitating the development of competencies demanded by the industries. To lend credence to the programs, the MSP through the University of Jyväskylä will provide international accreditation to the programs and possibly national accreditation in the event the Afghanistan National Qualifications Authority becomes operational. Four computer laboratories have been equipped initially with more or less 100 computers while the remaining 350 units are newly contracted. Several TVET institutes are also being supported by the Project: the Afghanistan National Institute of Music (ANIM), the School of Blind, Auto-Mechanical Institute, Construction Institute, Women's Dormitory and some buildings for the Deputy Minister TVET's (DMTVET) headquarters.

After a comprehensive evaluation of the DMTVET and its institutes, the German Education and Training (GET) undertook and completed a review/reorientation of procedures and processes to prepare the Deputy Ministry for a decentralized structure. Policy recommendations have been put forward, and capacity building interventions have been initiated to prepare the Deputy Ministry for a decentralized management system. This covers human resource management, curriculum development, quality assurance, teacher training, planning

and organization, among others. As a result of this, interventions and capacity building measures are identified and designed for implementation.

*“Contracts with the training providers have been signed to train unemployed youths for waged and self employment in 13 provinces.”*

In addition, the project has provided support to TVET buildings and campuses in need of renovation and physical rehabilitation. The physical up-gradation activities undertaken are: Construction of the Afghanistan National Institute of Music (ANIM); Renovation of the ANIM is complete; construction of new buildings for the Music School; construction of an alternate building and construction of a library and computer center for the Auto-mechanical School; construction of the surrounding wall of the Auto Mechanical School (80 percent complete); construction of the auxiliary building for DMTVET (50 percent complete); and construction of a women's dormitory. The project has likewise provided funds for the purchase of equipment for the Blind School, such as audio equipment, stationary, slide board, stile (chalk), walking stick, laptop and Braille computers; and Western musical instruments for ANIM.

**Component 3:** Under the National Skills Development Program (NSDP), contracts were signed with local NGOs and training providers to

train around 7000 chronically poor women, marginalized farmers and unemployed youth in 13 provinces namely (Khost, Zabul, Uruzgan, Kandahar, Badakhshan, Samangan, Bamyan, Ghazni, Paktika, Kunduz, Baghlan, Faryab and Helmand) in wage and self employment. The training programs have progressed well and more than 5000 participants have completed the training so far. For the Training of Trainers (TOT) for Business Development Services (BDS), the procurement process is complete. For the development of contextualized productive skills, curriculum, and materials to support the UN-Habitat Learning and Community Empowerment Project 2 (LCEP-2), the NSDP has initiated the procurement process to outsource this activity to some competitive consultants. Proposals from short-listed firm are currently being evaluated. The main purpose of these interventions is to improve the livelihoods of the above groups, and especially those who can benefit from training in improved production and marketing methodologies, and more diversification.

A curriculum and material development specialist was hired to support the NSDP curriculum and standards development team in development of Competency Based Training standards at different level for the most demanded skills. So far 67 standards have been developed by the team and some of these have already been introduced to the training providers.

The Government of Norway and USAID are co-financing the project in the amount of \$12 million and \$6

In 2008, infant and under five mortality per thousand live births declined to 111(13 percent reduction) and 161 (15 percent reduction) from 129 and 191 in 2006.

million respectively through the ARTF. The project is expected to be completed by February 2013.

**The Strengthening Health Activities for Rural Poor Project (SHARP) (\$79 million Grant, \$22 million from ARTF, \$17.9 million from JSDF, \$12 million from Multi Donor Trust fund for health results innovation):** SHARP aims to improve the health and nutritional status of Afghans, focusing especially on women and children and the underserved areas of the country. The project supports Afghanistan's Health and Nutrition Sector Strategy, which is the blueprint for the government's health sector program for the period 2008-13.

The National Risk and Vulnerability Assessment 2007/08 indicate good progress in reducing infant and under-five mortality. Infant and under five mortality in 2008 has declined to 111 (13 percent reduction) and 161 per thousand live births (15 percent reduction) respectively from 129 and 191 per 1000 live births respectively in 2006. With World Bank support in 18 provinces since 2003, the number of health facilities has nearly tripled from 148 to 421. Health service utilization increased among project area populations from a rate of 0.3 consultations per capita annually at the outset to 1.64 per capita by the mid 2009. Health care for expectant mothers expanded, with the number of deliveries assisted in facilities by trained health workers jumping from 6 percent to 24 percent. The number of pregnant women who received at least one

prenatal care visit rose from 11 percent in 2004 to 49 percent in 2008. Child immunization rates are still low but have improved from 12 percent in 2005 to 33 percent in 2008. Around 20,000 community health workers—half of them women—have been trained and deployed throughout the country, increasing access to family planning and boosting childhood vaccinations. The number of facilities with trained female health workers rose from 25 percent before the project to 74 percent today.

“Recently the World Bank has approved an additional \$49 million grant from Crisis Response Window to support SHARP expansion .”

SHARP finances provision of the Basic Package of Health Services in eight provinces (Helmand, Farah, Badghis, Nimroz, Samagan, Balkh, Wardak, and Saripul) through national and international NGOs contracted out by Ministry of Public Health (MoPH). So far the MoPH has signed contracts with five NGOs to provide a basic package of health services in seven provinces. Contracts for the remaining province (Wardak) is in process. SHARP also supports monitoring and evaluation of health services in Afghanistan by financing a third party agency to conduct annual balance scorecards for primary health care facilities and hospitals.

Implementation has just been initiated for an innovative results-based financing (RBF) mechanism to improve coverage and quality of services in health facilities. In addition, \$17.9 million has recently been approved through JSDF to co-finance the SHARP project. This will allow the project to provide BPHS services for Balkh, Samangan and urban Kabul for the coming 3 years. In addition, \$22 million has been approved by the ARTF to be used to co-finance the implementation of BPHS in 11 provinces - in Helmand, Badghis, Farah, Nimroz, Samangan, Balkh, Wardak, Sar-e-Pul) through NGO contracts, and in Kapisa, Panjshir, and Parwan through direct delivery by MOPH, under the stewardship of the Ministry in guiding implementation and policy dialogue for the Essential Package of Hospital Services. Recently, the Bank has also approved Additional Financing from the Crisis Response Window in the amount of \$49 million equivalent to expand SHARP's implementation capacity to deliver basic health and hospital services to the vast majority of the poor. Provision is being made to include (a) mental health and enhanced nutrition services in the new BPHS package; and (b) improve hospital services critical to reduce maternal and child mortality.

**Afghanistan HIV/AIDS Prevention Project (\$10 million Grant)** is designed to strengthen national capacity to respond to the epidemic by scaling up prevention programs targeting people

The World Bank's Interim Strategy Note (2009-11) is aligned with Afghanistan's National Development Strategy (ANDS) and is designed around three main pillars:

**Building the capacity of the state and its accountability to its citizens:** The Bank will continue to strengthen core government systems as the basis for credible state building. Efforts will be made to strengthen public financial management and fiscal sustainability, and improve transparency and accountability. Assessments of vulnerability to corruption will be integrated into ongoing work.

**Promoting growth of the rural economy and improving rural livelihoods:** Support to the rural economy and livelihoods will remain a priority for the Bank. Rural programs also serve as important entry points for shifting economic incentives away from opium and toward alternative, legal, high value agricultural products.

**Supporting growth of the formal private sector:** The World Bank Group will continue to address the overall constraints to private sector development through lending and advisory work. It will identify and address specific measures that catalyze business growth and will invest directly in local companies, including banks, to help them expand business.

engaged in high risk behaviors. 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. To achieve its objectives, the NACP has signed 12 contracts with national and international organizations, and the harm reduction activities have been initiated. Comprehensive integrated biological-behavioral surveillance (IBBS 2009) has been completed among priority populations of injecting drug users, prisoners, female sex workers, and road transport workers. The results of the survey have important implications for Afghanistan's AIDS program. Injecting drug use is the major source of new HIV infections, with transmission highest in Western Afghanistan.

HIV prevalence is significant among prisoners and appears to be related to the proportion of injecting drug users in prison. HIV prevalence is zero among both sex workers and road transport workers, suggesting limited sexual transmission.

**The Emergency Customs Modernization and Trade Facilitation Project (ECMTFP) (\$31.2 million Credit and \$6.81 million Grant):** Since 2004, the project has been supporting Afghanistan's efforts to improve and modernize the Afghanistan Customs Department by helping in increasing customs revenues collection, reduce transport-related trade costs, stimulate trade,

“Customs revenues  
increased by more than  
700 percent in Solar  
Year 1387 (2008/09).”

reduce corruption, and streamline customs procedures at border crossings. Most project targets have surpassed what were planned at the start of the project. Customs revenues increased by more than 700 percent in Solar Year 1387 (2008/09); this was largely attributable to computerized control over transit shipments, tighter control over the clearance of goods, and the enhanced capacity of the Afghan Customs Department (ACD) staff. Trade volume has increased many times over compared to the start of the project. One of the project's key achievements has been the automation of customs processes with the Automated System for Customs Data (ASYCUDA). Customs

processes have been automated at major Inland Customs Depots (ICD). Similarly, ASYCUDA is now functional at four major transit axes. ASYCUDA deployment has already resulted in handling of 60 percent of trade volume and 75 percent of transit axes. In addition, the supporting communications infrastructure has also been modernized with VHF/HF radios and VSAT VPN networks connecting key customs locations. Key infrastructure facilities have been constructed including the Customs and Revenue headquarters building in Kabul, the Inland Customs Depot building at Jalalabad, as well as truck parking facilities and other allied infrastructure. The Trade Facilitation component of the project has also demonstrated good results, specifically for WTO accession review of transit agreements with neighboring countries, improvement of freight forwarding industry, etc. Moreover, the Afghan National Standards Authority (ANSA), which was established with the help of the project, has now been approved as an independent government standards organization. The project is scheduled to close by the end of 2010. As of date, all project funds are fully committed and planned activities complete.

Building on the overall success of the ECMTFP, and to continue with the reforms underway, the World Bank Board approved a follow-on project called the Second Customs Reform and Trade Facilitation Project on June 25, 2010. This US\$ 50.6 million project is planned to become effective in July, 2010. It will finance technical assistance, infrastructure, and equipment in order to make Customs procedures less





Some 632 medium and large size traditional irrigation schemes, serving more than 660,000 ha of land in various parts of the country have been completed.

cumbersome, globally aligned, and more transparent; reduce opportunities for collusion; improve infrastructure, equipment and human resources supporting the reengineered processes; and help in improving the overall governance in ACD and help provide ACD sufficient control resulting in improvement in the release of legitimate goods in a fair and efficient manner.

**The Emergency Irrigation Rehabilitation Project (\$40 million Credit, \$86.5 million Grant, and \$6 million Government Funds):** The project is helping to provide water to farms in the project areas, with more reliable and equitable distribution of irrigation water. The rehabilitation of the national irrigation system in all five river basins of Afghanistan will help increase agricultural productivity and farm income, improve food security and livelihoods, and reduce vulnerability due to droughts. 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 31 May, 2010, 791 sub-project proposals, costing about \$93.8 million, had been prepared. Of these, 776 sub-projects totaling \$90.0 million have been approved; contracts

for 755 sub-projects worth \$73.2 million are ongoing; and 632 medium and large size traditional irrigation schemes worth \$48.5 million serving more than 660,000 ha of land in various parts of the country have been completed. As a result of the rehabilitation, an additional 132,000 ha of land area are now receiving irrigation supplies, and crop yields have increased substantially. In addition, the work under the Feasibility Study of the Lower Kokcha Irrigation and Hydropower Multipurpose Project on the Kokcha River in the Amu River Basin has been completed, and the final report was submitted in April 2010. Installation of 105 of the 174 hydrology stations in different part of the country has been completed. Work on installation of 40 Cableways has commenced. These facilities will enable measurement of river flows for future use in planning and developing water resources in the country.

**The Afghanistan Investment Guarantee Facility (AIGF),** in cooperation with Asian Development Bank (ADB), Department for International Development (DFID), and World Bank's Multilateral Investment Guarantee Agency (MIGA), aims 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 to Afghanistan.

Despite the deteriorating business environment which impeded 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. There are potential projects which are now being examined. It is expected that some more guarantees will be underwritten shortly. The total associated foreign investment of the projects under the AIGF is about \$107 million with approximately 730 jobs created as a result. Given the importance of the project in attracting foreign direct investment, and at the

In January 2010, the World Bank's International Development Association (IDA) and the International Monetary Fund (IMF) agreed to support US\$1.6 billion in debt relief for the Islamic Republic of Afghanistan. The Boards of Directors of both institutions agreed that the country has taken the necessary steps to reach the completion point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. This will generate total debt service savings of US\$1.6 billion.

Upon reaching the completion point, Afghanistan also qualifies for debt relief under the Multilateral Debt Relief Initiative (MDRI). MDRI relief will lead to a nominal reduction of debt to IDA by US\$35 million. Afghanistan does not have any MDRI eligible debt outstanding to the IMF.

The completion point marks the end of a process that included clearance of arrears and debt reductions by Paris Club creditors since 1996, and will ultimately result in a 96 percent reduction of Afghanistan's external debt, equivalent to US\$11 billion in NPV terms.



Rehabilitation of the 110kV transmission line from Naghlu to Kabul; 110kV new transmission line from Chimtalla substation to Kabul North- West; 110kV lines from Kabul North-West to Kabul North substation have been completed.

request of Government of Afghanistan, the closing date of AIGF has been extended for two years from September 30, 2009, to September 30, 2011.

**Kabul Urban Reconstruction Project (KURP) (\$25 million Credit and \$5.6 million ARTF Grant):** This is a community driven project that attempts to empower and develop historically neglected urban communities, particularly in informal or slum areas, to identify, plan, and monitor needed development projects in their neighborhoods. The project supports the reconstruction and rehabilitation of 20 of Kabul's neighborhoods/gozar where the majority of the urban poor live in informal settlements, including four neighborhoods in the Old City of Kabul.

Through community-based Gozar Cooperative Shuras, community needs are integrated into a Community Upgrading Plan (CUP) covering water supply, access roads and drains, sanitation, solid waste management, and street lighting (i.e. urban services). The CUP is converted into engineering designs, cost, and implemented to achieve an outcome of improved infrastructure in response to community needs for 92,000 residents of Kabul. Thus far, the project work is ongoing in

all targeted neighborhoods. Almost 60,000 persons have already received improved services, and approximately another 60,000 are in the process of receiving services. To date, the project has provided 92 kms of improved access to homes through grading and surfacing roads, the provision of hillside steps and sidewalks, the repair and construction of 120 kms of tertiary storm drains and 87 of water supply lines,

“KURP provided 92 kms of improved access to homes through grading and surfacing roads.”

improvement to 6,514 existing latrines, implementation of a solid waste collection system where a collector/sweeper contracts with the Shura, and health and hygiene campaigns on clean water and sanitation. Furthermore, 7,017 street lighting systems have been installed so far.

**The Emergency Power Rehabilitation Project (\$105 million Credit and \$20 million ARTF Grant):** The project is working to provide improved and more reliable supply of electricity to the residents of Kabul. It is doing so by rehabilitating and expanding city distribution networks; connecting the Kabul city grid to the future

North East Transmission System to allow for the import of lower cost power from Uzbekistan into the city; rehabilitating the 100 MW Naghlu Hydropower Plant (the largest hydro generation station in Afghanistan which supplies power to Kabul) and the associated transmission line; and restructuring and commercializing the power utility to improve service delivery.

Among the project components, Naghlu hydro project rehabilitation work has been lagging and has not picked up as expected. MEW, DABS and SMEC teams have been discussing the issue with the contractor, TPE. The parties agreed to a new work schedule to complete the rehabilitation of the four units of the plant by June 2012. Consequently the closing dates of IDA Credit and ARTF Grant has been extended from the original September 30, 2010 and June 30, 2010 respectively, to September 30, 2012. Of the four units, Unit no.4 is under rehabilitation and is expected to be back in service by September 2010. Other units would be completed in 6-9 months interval. DABS will decommission Unit no. 3 by early July 2010 to hand over to TPE, the contractor. MEW and TPE have been discussing on TPE's contractual claims and reached on an amicable



So far over 2,100 hectares of new orchards have been planted with grapes, apricots, almonds, and pomegranates.

agreement in March 2010.

The power supply to Kabul, billing, and collection have significantly improved. The kWh supplied in the first four billing cycles of the current year 1388 has surpassed the last full year (six cycles). Power import quantum has significantly increased and has replaced expensive diesel power. DABS has started on a good note, by starting the first consumer care center and a hot line for supply-related complaints.

**Urban Water Sector Project (\$40 million Grant):** The project 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 Afghanistan Urban Water Supply and Sanitation Corporation (AUWSSC, CAWSS' successor); (iii) increase access to and reliability of the water supply service in Kabul; and (iv) 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 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, the General Manager, Operations Manager and Internal Auditor have been selected and recruitment of the other members (Financial Manager and Technical Manager) of the management team is underway. AUWSSC took over the operation in Kabul, Charikar, Herat, Pul-i-Khumri, Kunduz, Taloqan, Mazar-e-Sharif, Shebergan, Mehterlam and Jalalabad. The government has requested a restructuring of the project to include part of the Short-Term Program of Kabul water supply which was earlier planned under the ARTF-financed project. Meanwhile, the bids for the water distribution network are to be invited again - for

the third time, as the previous bid invitation did not result in responsive bids. Proposals for consulting services for external auditors are under evaluation and proposals for technical assistance are being invited from a short list of firms.

**Emergency Horticulture and Livestock Project (HLP) (\$20 million IDA Grant and \$34.3 million ARTF Grant):** It is one of the leading programs of the Government of Afghanistan in the horticulture and livestock sectors in the country. Overall the project continues to make good progress. Under the Horticulture Component, so far, over 2,100 ha of new orchards (grapes, apricots, almonds, and pomegranates) have been planted, and over 600 women participated in this program. Farmers contributed 25 percent of the cost for the new orchards. An additional 900 ha of new orchards are planned for fall 2010. In addition to establishing new orchards, extension messages and inputs were provided for the improvement of existing orchards owned by over 36,000 farmers.

Under the Animal Health Component, 114 government veterinary clinics have been transferred to trained veterinarians for private operation. The Poultry

Component helped poor women enhance their incomes from poultry production of the project. Under this component, the 7,000 intensive poultry units that were started in July 2009 have produced over 8 million eggs. An additional 4,000 poultry units will be established in 2010.

“An additional 900 ha of new orchards are planned for fall 2010.”

**Sustainable Development of Natural Resources Project (\$40 million Grant):** The project supports measures to enhance regulatory capacity, foster private sector development and adherence to international standards. This project is helping the government to ensure that the revenues from these valuable resources are available to the country as a whole and are transparently managed. Among the approaches the government will use to manage the sector is the Extractive Industries Transparency Initiative – a set of principles that supports sector governance via the full publication and verification of company payments and government revenues from oil, gas, and mining. In addition, an International Advisory Council has been established to assist the government in evaluating the strengths and benefits of contracts to ensure that best practices are applied to help Afghanistan in developing its natural resources.

Despite a number of constraints— notably a difficult business environment—the project has made steady progress since its

inception. Significant strengthening of the Ministry of Mines departments responsible for cadastre and mine title management has been conducted as well as training courses for the Afghanistan Geological Survey. Mining regulations have been drafted and environmental regulations are under preparation as well as other guidelines and procedures for the Ministry of Mines. Significantly, the project has stimulated private sector investment in Afghanistan by facilitating the successful tender of the Aynak copper deposit, one of the largest such deposits in the world. The government has concluded the contractual agreements with the Chinese company which was awarded the tender. The total amount of the investment will be around \$10 billion over the next 5 to 10 years, and an initial payment of \$80 million has been received by the government. In addition to strengthening the Ministry of Mines’ capacity to supervise the mining sector, the project is helping the government move towards its goal of ensuring transparency and good governance in the sector. The government has taken the important step of endorsing the principles of the Extractive Industries Transparency Initiative (EITI) and has been awarded “candidate” status by the EITI secretariat in Oslo.

**Private Sector Development (PSD) Support Project (\$25 million Grant):** The project aims to stimulate the local economy to generate employment, create income and alleviate poverty. It helps create an economic enclave for businesses operating in both the domestic and export markets. The project supports: (i) constructing an industrial park at Hisar-e-Shahi,

(ii) establishing industries in 4 key sectors (light engineering, food processing, leather garments, carpet washing and finishing); (iii) building AISA’s (Afghanistan Investment Support Agency) capacity in the Industrial Parks Development Department (IPDD) and Research and Policy Department (RPD); and (iv) creating capacity in the Private Sector Development Directorate (PSDD) of Ministry of Commerce and Industries (MoCI) to design PSD related policies. The capacity of IPDD has been substantially improved in financial management, procurement, environmental and social management, and project supervision. However, the high staff turnover has constrained the ability to implement projects independently. Similarly, a number of staff in PSD department of MoCI have been trained to improve their capacity in undertaking policy analysis and implementing projects.

“Civil construction work of the Hisar-e-Shahi industrial park has been completed.”

Civil construction work of the park, which includes leveling, boundary walls, road work, storm water drainage and water supply system, is now fully completed. This represents 40 percent of the total project cost. The contract for design consultants for wastewater treatment will be awarded by July 30, 2010, as the technical and financial reviews are already completed. The major constraint that the project is experiencing is





The Bank's new Global Food Crisis Response Program helped rehabilitate some 500 small irrigation schemes.

to provide power to the park. The project was designed in 2006, when the grid station was not available in Jalalabad City. Therefore, AISA had considered a diesel generator power plant to energize the park.

Currently, the Asian Development Bank (ADB) is financing a transmission line from Naghlu (a district of Kabul) to Jalalabad City and building a Sub Station in Jalalabad. Since the project is located 20 km from Jalalabad City, it is possible to extend the ADB financed transmission line to Hisar-e-Shahi industrial park and install a Sub Station to supply the power from the grid to the park. A MOU has been signed between Da Afghanistan Brishna Sherkat (DABS) and AISA, which states that DABS will provide 25 MVA hydropower to the Hussar-e-Shahi industrial park. The transmission line from Jalalabad City to the industrial park and the Sub Station is going to be financed under the PSD Support Project. The contract for power distribution network and street lighting is awarded and the process of hiring a design consultant for the transmission line and sub-station is progressing. The park is expected to be operational in 2011. Once the project is fully implemented, it is expected to generate 6,000

jobs in Afghanistan.

**Civil Service Reform Project (\$20.4 million Grant):**

The project supports the Independent Administrative Reforms and Civil Service Commission (IARCSC) and key government ministries in improving their capabilities for management of human resources. To meet this objective, the project supports the government in the development and implementation of clear rules and procedures for managing civil servants. The project also supports core ministries to reorganize their structures and staffing so as to better perform their tasks. In addition, the project supports ministries to implement the Pay and Grade reforms.

**Financial Sector Strengthening Project (\$8 million Grant):**

The project supports the Afghanistan National Development Strategy's vision to establish a modern and competitive financial sector. The project will specifically strengthen the capacity of Da Afghanistan Bank (DAB) in the areas of banking supervision, accounting, internal audit, and human resource management. It will also develop necessary financial infrastructure such as a public credit registry, collateral registry, and the

Afghanistan Institution of Banking and Finance (AIBF). The consultants for the positions of audit and human resources commenced work at the start of February 2010. The other positions are currently in the process of being re-advertised. DAB is expected to award the contract for the IT consultancy package to an IT consultant by mid July. This component aims to provide DAB with a five year development action plan for IT and also to assist the procurement, installation and maintenance of the IT systems to be purchased under the project, namely off-site supervision, human resources automation, collateral registry, and the public credit registry and is therefore crucial for the overall success of project implementation.

Through this project, the IFC is also providing technical assistance to the DAB in order to establish two basic financial sector infrastructures in the country: (i) a Public Credit Registry that will provide lenders with information for efficient risk assessment on borrowers; and (ii) a Collateral Registry for movable property that will provide lenders with the ability to effectively use borrowers' property as collateral. IFC's involvement includes assistance in raising awareness among the

The Afghanistan Reconstruction Trust Fund (ARTF) was established in April 2002 as a temporary means to finance the government's wage bill. Now the ARTF has developed into the main multi-donor funding mechanism in the country – financing both the essential running costs of government as well as key Afghan National Development Strategy (ANDS) programs across the country. The objectives of ARTF are to:

- Position the national budget as the key vehicle to align the reconstruction program with national development objectives.
- Promote transparency and accountability of reconstruction assistance
- Reduce the burden on limited government capacity while promoting capacity-building over time
- Enhance donor coordination for financing and policy dialogue.



relevant stakeholders, and providing advice regarding the necessary IT systems. Part of the IFC's involvement in this project has already been performed, including an assessment of the legal and regulatory framework, as well as its support in the preparation of the necessary new laws and regulations required for the establishment of this infrastructure.

The Afghanistan Credit Reporting Regulation was approved by the Supreme Council of Da Afghanistan Bank on June 05, 2010. The new regulation will be in force after the official publication in the Gazette, and can be considered one of the most modern in the region. It allows both public and private credit reporting to be established in Afghanistan. It also introduces, for the first time, ample borrowers' privacy rights and allows for the establishments of Private Credit Bureaus in the future. It has been constructed to attract leading private providers (mandatory sharing and mandatory inquiries with borrowers' consent, closure of the PCR to inquiries when the first PCB opens) and allows the participation of regulated and non-regulated entities.

**Afghanistan Food Crisis Response Project (\$8 million Grant):** The Bank's new Global Food Crisis

Response Program provides this assistance for the rehabilitation of approximately 500 small irrigation schemes, critical to the recovery of the country's agriculture. So far, 433 of these schemes have been financed of which 265 schemes have been completed. These schemes included cleaning of canals/karezes, as well as building of protection walls, gabion walls, water dividers, and intakes. With rehabilitation of these schemes, over 6,900 families in far remote areas of Afghanistan have been provided with access to improved irrigation systems. The project also builds community capacity to implement and maintain irrigation sector projects that address community needs.

“Until May 21, 2010, 32 donors had contributed over \$3.7billion to the ARTF.”

**Afghanistan Pension Administration and Safety Net Project (\$7.5):** The project is designed to improve the administrative capacity of the public pension system to ensure the effectiveness of a reformed pension scheme for public sector employees. It will also develop a policy framework for safety nets, and on that basis implement

**How the Afghanistan Reconstruction Trust Fund (ARTF) works:**

Donors contribute funds into a single account, held by the World Bank in the US. The ARTF Management Committee makes decisions on proposed allocations at its monthly meetings, and those decisions are translated into funds through Grant Agreements signed between the World Bank and the Government of Afghanistan. ARTF allocations are made through two “windows”: the Recurrent Cost Window and the Investment Window. The Recurrent Cost Window reimburses the government for a certain portion of eligible and non-security related operating expenditure every year. The Investment Window provides grant financing for national development programs in the development budget.

a pilot safety net program for needy households, with a subsequent proposal for a scaled up national approach. The project aims to develop capacity in the Ministry of Labor and Social Affairs to plan and administer programs in pensions and safety nets.

## A F G H A N I S T A N RECONSTRUCTION TRUST FUND

The Afghanistan Reconstruction Trust Fund (ARTF) is a partnership between the international community and the Afghan government for the improved effectiveness of the reconstruction effort. Until May 21, 2010, 32 donors had contributed over \$3.7 billion since early 2002, making ARTF the largest contributor to the Afghan budget—for both operating costs and development programs. ARTF's support for national priority programs, for operating costs of government operations and for the policy reform agenda is contributing to the achievement of the Afghanistan National Development Strategy goals.

**Management:** The ARTF is managed by the Management Committee consisting of the World Bank (as the administrator), the Islamic Development Bank, the Asian Development Bank, and the UN (UNAMA and UNDP). The Management Committee



The ARTF's Urban Water Supply Project (UWSS) provides support to government's short-term (UWSS) program.

meets regularly in Kabul, with the Ministry of Finance as an observer, to carry out the day-to-day business of the fund. Once a quarter, ARTF Donors meet to discuss broader strategy with the government and ARTF Management.

**ARTF and Donor Contributions:** A total of 32 donors have contributed to the ARTF over the past seven years. Donor contributions have increased year after year, with new donors joining and older donors increasing their levels of contribution. Nevertheless, over the last few years the “preferenced” portion of donor contributions has been the main factor driving growth. The agreed ARTF rules are that donors may not “preference” more than half of their annual contributions. This rule is to ensure that the ARTF has sufficient funding to finance the Recurrent Cost Window and that it retains some flexibility in the approval of National Priority Investment Projects.

**The Recurrent Cost (RC) Window (\$1.95 billion):** To date, the ARTF has disbursed \$1.95 billion through the government's operating budget. Domestic revenues continue to be insufficient to cover the costs of government. The ARTF Recurrent Cost Window has therefore ensured the basic functioning

of government including the delivery of services such as healthcare and education. Given that around 60 percent of the non-uniformed Afghan civil service is accounted for by teachers, the Ministry of Education has in general received around 50 percent of total ARTF resources. Ministries of Public Health, Foreign Affairs, Labor, and Social Affairs and Higher Education have also been major recipients. It should also be highlighted that the ARTF's RC Window resources are national in scope, ensuring the payment of salaries of around 250,000 non-uniformed civil servants in all 34 provinces of the country. Steady year-on-year increases in operating costs across government mean the RC Window accounts for a declining share of the overall budget. Nevertheless, the RC Window still finances around half of the non-security costs of government.

**The Investment Window:** The Investment Window has in the last two years increased significantly in volume and scope. In the last two years (SY1387 and SY1388) investment commitments have exceeded recurrent cost commitments. Disbursement rates on ARTF investment have been very strong with 75 percent of total investments disbursed as of May 21, 2010. Consistently

high rates of disbursement are strongly influenced by the sectors in which ARTF invests. Decentralized and national rural development programs, such as NSP, NRAP and Microfinance, have been strongly supported by the ARTF.

As of May 2010, there were 20 active projects funded through ARTF, with a combined commitment value of over \$1.03 billion; of this, \$779.92 million was disbursed. Full details of investment activities are provided in the ARTF Quarterly Reports available at [www.worldbank.org/artf](http://www.worldbank.org/artf).

**The ARTF-financed Urban Water Supply and Sanitation Project (UWSS)** provides \$41 million to support the government's short-term UWSS program. 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 served by CAWSS. In addition, the ARTF has also financed feasibility studies for 11 cities

which were not 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. The investment components are currently at various stages of implementation. In particular, new wells have been completed in Upper Kabul for water supply to the city. However, as adequate financing for the next three construction contracts is not available under the project, they are to be financed by KfW and IDA. Contracts for (a) pipelines, equipment for wellfields and pumping stations, and (b) collector pipes and transmission mains are under execution with KfW financing. A few small-scale interventions were carried out for the sanitation and rehabilitation of an existing dumpsite in Kabul. Goods worth \$10 million for water supply in provincial towns have been procured, new water sources have been created in Taloqan, Maimana and Pul-e-Khumri and existing water sources have been strengthened in Shebergan and Metherlam. All contracts for pipe-laying in 12 towns and 4 reservoirs have been awarded (procurement of works for 2 reservoirs have been held back due to lack of funds). However, a funding gap of about \$ 7 million exists. Financial support to operations has been effective since August 2005 and was terminated in March 2007. The CAWSS operation is being incorporated gradually into the Afghanistan Water Supply and Sewerage Corporation (AUWSSC). The water supply operations in 10 towns, namely, Kabul, Charikar, Herat, Pul-i-Khumri, Kunduz, Taloqan, Mazhar-i-Sharif, Shebergan,

Metherlam and Jalalabad have been taken over by AUWSSC. Extension of grant closing date by a year i.e. up to December 31, 2010 is being considered to allow completion of the ongoing works in the provincial towns.

**Kabul/Aybak/Mazar-e-Sharif Power Project (\$57 million)** is working to provide reliable and quality power to 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.

The implementation works for Aybak and Mazar distribution projects are progressing well with major materials received at site. Major materials for Mazar Substation have been ordered. The foundation drawings for Aybak substation work have been

cleared. Energizing of feeder 07 was successfully done and DABS at Mazar-e-Sharif commenced providing service connection to the consumers. Delays in issuance of customs clearance letters, Letter of Credits, supply of concrete poles are causing the delays in execution of the projects. Also, with the series of recent attacks in Kabul, the contractors have recalled a major part of the work force till the situation improves. This would impact project progress unless the situation improves significantly. The final completion of the rehabilitation of distribution works is expected to be delayed by 6-8 months from the scheduled date of contract completion.

The construction work of customer care center has been started. Expected completion time is 4 months. The digital metering package for single and three phase consumers (the last under this project), has been ordered and the factory inspection test has been completed. Installation is expected to be complete by August 2010. USAID is funding the installation of these meters.

The project's closing date of December 2009 has been extended by 21 months (till September 2011) after the mid-term review of the project's progress. The earlier closing date was aligned with the requirement to close the project 6 months before the main ARTF closing date (previously June 2010 and extended to June 2020).

**ARTF – Afghanistan Power Sector Development Project (\$35 million):** The project supports the Government of Afghanistan in increasing: (i) access to grid power; and (ii) the quantity of





**The ARTF's Justice Sector Reform Project supports government efforts to strengthen a centralized state justice system.**

power available to consumers in the target urban centers of Pul-e-Khumri, Charikar, Gulbahar and Jabul-Seraj. The project consists of the following two components: Distribution System Rehabilitation, and Institutional Capacity Building and Project Management Support to Ministry of Energy and Water (MEW). The project would support establishment of a unit within MEW to promote energy efficiency and saving.

There was delay in effectiveness of the contracts, due to time taken in opening of Letter of Credits. Notwithstanding the delay, the contractors started initial survey and design work on rehabilitation of distribution networks for Pul-e-Kkumri, Charikar, Gulbahar, and Jabul-Seraj. Vendor approval has also been undertaken for major equipment. The work on the Charikar substation to be funded by the Government of India is still to start. The team will continue to follow on this through MEW, Ministry of Finance and Inter-Ministerial Commission on Energy (ICE) meetings. There was some progress in internal approvals of the Government of India authorities, as reported in last ICE meeting. MEW/DABS has in the interim provided some power at 20 kV from Chimtalla substation. The contract for carrying out a survey to understand electricity needs of

the consumers in the project areas has been processed.

With a series of recent attacks in Kabul, the contractors have recalled a major part of the work force until the situation improves. This would impact project progress unless the situation improves significantly. The energy efficiency activities have picked up with USAID providing a complementing investment to MEW with some international technical consultants. ARTF-funded staff is working with these consultants on behalf of MEW.

**Kabul Urban Roads Improvement Project (\$18 million):** The Project aims to improve traffic flow on priority corridors or segments of the main urban roads in Kabul city. The Project will rehabilitate about 12 kms of existing roads; construct and rehabilitate road side drains and walkways; construct roundabouts at key intersections; and install street lights. The Implementation Consultant (IC) has completed the topographic survey, geotechnical investigations and design for 75 km of roads under their contract and has submitted to the Kabul Municipality for final approval. The IC terminated the contract on August 27, 2009, on grounds of non-payment of their outstanding dues. The dispute has now been resolved, and a new contract for the supervision

of the remaining construction work was signed between SMEC international, the same consultant, and the Kabul Municipality on May 29, 2010. The work contractor has already started construction work on all of the four road packages. The construction work is expected to be completed before the end of this year.

**Afghanistan Justice Sector Reform Project (Phase 1) (\$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.

**The Management Capacity Program (US\$35 million)** helps ministries to improve their capacity in key managerial areas over the medium term. This enables the government to manage resources more effectively and deliver results faster on the ground. The program funds qualified and highly professional Afghan staff, currently working in NGOs and international agencies, to work in critical positions in government to apply for 'line' civil service posts in areas such as financial management, procurement, human resource management, policy, and administration. This program directly funds about 100 senior level government positions in about 17 ministries, mostly focused on common functions.

These positions are filled through a transparent and merit based recruitment managed by the Independent Administrative Reform and Civil Service Commission (IARCSC).

All dollar figures are in US dollar equivalents.



## THE WORLD BANK IN AFGHANISTAN

Website: [www.worldbank.org.af](http://www.worldbank.org.af)

Abdul Raouf Zia

Telephone: 0093 (0) 700280800

Email: [azia@worldbank.org](mailto:azia@worldbank.org)

House 19, Street 15

Wazir Akbar Khan, Kabul, Afghanistan

Benjamin S. Crow

Telephone: 001 (202) 473-5105

Email: [bcrow@worldbank.org](mailto:bcrow@worldbank.org)

1818 H. Street, N.W.

Washington DC, 20443, USA