

# Quarterly Country Update

Afghanistan

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## Introduction

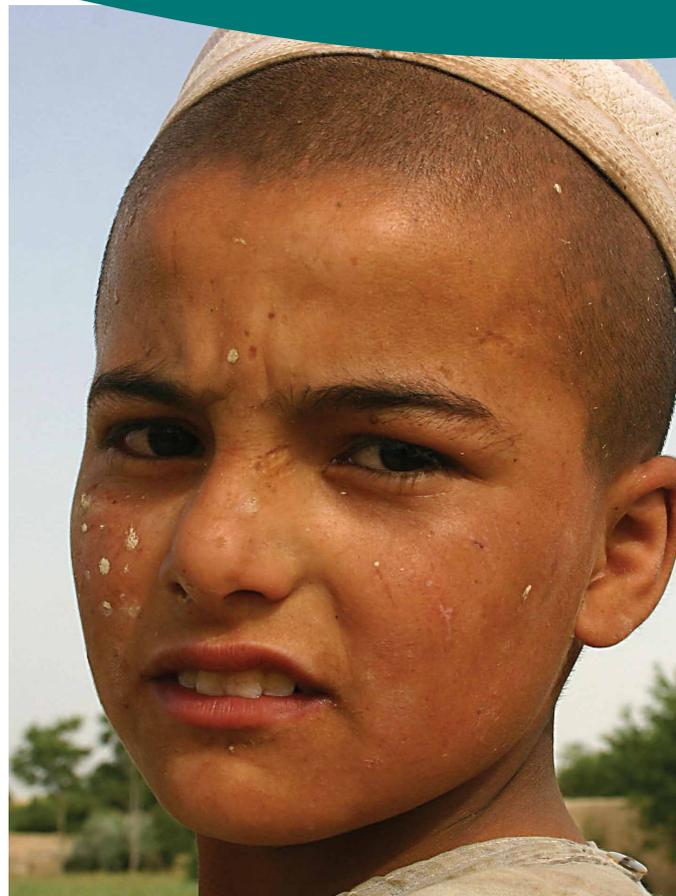
**TRANSITION:** By July 25, 2011, international forces under ISAF (International Security Assistance Force) completed the first phase of handed over process of security responsibilities to Afghan national security forces in six locations to. These locations included Bamiyan province, Parwan province, Herat city; Mehterlam city eastern Laghman province, Laskarga city in southern Helmand, and Panjshir province. The transfers are the first phase of a plan that will place the country's security under Afghan control in the next three years. International combat troops are scheduled to leave Afghanistan by the end of 2014. As Afghanistan launched the transition process, the World Bank Group President wrote an Op-Ed to highlighting the need for a flourishing economy. The Op-Ed is available at: <http://go.worldbank.org/XBG78ON9X0>

**ECONOMY:** Afghanistan's economy is growing strongly. The growth drivers in recent years have been above-average agricultural production, strong growth in construction and transportation, and security spending enabled by large aid flows, especially in FY2009/10. Afghanistan's fiscal position is strengthening. In the last three years revenues grew by an average of 20 percent. However, preliminary estimates suggest that Afghanistan's GDP growth rate has dropped from a very high and unsustainable 20.4 percent in FY2009/10 to 8.2 percent in FY2010/11.

**SECURITY:** A United Nations report released recently shows that there has been a 39 percent rise in violent incidents in Afghanistan so far this year compared with the same period last year. According to the report, while the number of suicide attacks remained steady, insurgents conducted more suicide operations involving multiple bombers and gunmen. It said that on average, three complex attacks have been carried out each month from January to August, a 50 percent increase compared with the same period last year. The full report is available at: <http://unama.unmissions.org>

### WORLD BANK GROUP SUPPORT

Since April 2002, the World Bank has committed over \$2.35 billion for development and emergency reconstruction projects and four budget



An Afghan boy in northern Balkh Province.

support operations in Afghanistan. This support comprises over \$1.9 billion in grants and \$436.4 million in no-interest loans known as "credits." Currently, the Bank has 25 active projects in Afghanistan with net commitments of more than \$1.1 billion.

So far, a number of Bank-financed projects have been completed. 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 bilateral agencies across a number of sectors where aid coordination and government ownership are most

"Without a viable economy, there is little prospect of Afghanistan ever paying for its own security; little hope of its government gaining legitimacy; and not much chance of creating opportunity to counter the insurgency," said Robert B. Zoellick, World Bank Group President in an op-ed as the ISAF forces completed the first phase of handing over security responsibilities to Afghan forces.



The World Bank Group's International Financial Corporation (IFC) has investments in six companies in Afghanistan with a total commitments of over \$90 million.

critical.

According to a new flagship report, *More and Better Jobs in South Asia*, the region—defined by the World Bank as Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka,—will need to add between 1 and 1.2 million additional jobs every month for the next twenty years, equivalent to about 40% of the increase in the global labor force. Reforms will have to be accelerated if the region is going to meet the challenge of providing better jobs for them. South Asia has a young population and the second lowest female participation rate in the labor force. The demographic transition will result in more than 350 million people to enter the working age population over the next two decades. South Asia created nearly 800,000 jobs per month between 2000 and 2010. However, despite growth, the region is still home to the largest number of the world's poor—a half billion people. Since labor is the primary asset of the poor, having more and better jobs is the key employment challenge facing the region. The full report is available on:

<http://go.worldbank.org/TE59LWAPU0>

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 a committed 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. IFC continues to work in various sectors through its pipeline of projects in Afghanistan. IFC is actively exploring investment opportunities across the manufacturing, agribusiness, education and infrastructure sectors, and has recently completed two senior-level business development missions to Afghanistan.

The IFC continues strengthening the financial sector through capacity building of various financial institutions. IFC assisted First Microfinance Bank of Afghanistan to design; pilot and roll out a housing microfinance ("HMF") product to help low income Afghans meet their housing needs. IFC has also engaged with the financial sector in Afghanistan to assess housing finance and SME lending – key areas for financial sector development. Also, as a follow up to our work on creating conducive regulatory framework for

leasing, IFC is actively exploring the development of a leasing company with a local Non-Bank Financial Institution (NBFI) to expand financing product options to Micro, Small, Medium Enterprises (MSMEs). IFC expects this to lead to a more in-depth advisory engagement.

IFC's focus on enterprise development is a key driver to building capacity across the private sector. IFC's Business Edge product has identified and accredited several local private sector firms and trainers. More than 60 percent of the global BE training content has been localized and translated into Dari and/or Pashto. The plan is to expand the outreach of BE to more regions in Afghanistan by diversifying and growing the pool of accredited training providers to include NGOs.

IFC's goals to strengthen the business-enabling environment remain a key area of activity. To this end, IFC has successfully initiated projects to improve the business licensing process at the Ministry of Commerce and Industry and to institutionalize alternate commercial dispute resolution and mediation for the private sector so that disputes are resolved in the shortest period of time, and savings expenses for the private sector.

More and Better Jobs in South Asia: South Asia has seen an accelerated job growth and a substantial decrease in poverty over the past three decades, second only to East Asia. The region will be the largest contributor to the global workforce over the next two decades. More and better jobs are needed to sustain growth and reduce poverty.



Over 27,900 communities have successfully elected Community Development Councils (CDCs).

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 \$4.3 billion (as of September 22, 2011), 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 \$2.29 billion has been disbursed to the Government of Afghanistan to help cover recurrent costs, such as civil servants’ salaries, and over \$478.39 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 September 2011, JSDF’s total commitment to Afghanistan since its establishment in 2002 had reached \$86 million. A number of JSDF financed

projects have so far been completed. For more information, please visit: <http://go.worldbank.org/U5OQZVF200>.

#### STATUS OF ONGOING OPERATIONS

**Emergency National Solidarity Project (NSP) (IDA Grant \$398 million, ARTF Grant \$449.5 million and JSDF Grant \$15 million):** 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 project is financed by the World Bank, the ARTF, the JSDF, and several bilateral contributors. Between early-May 2003 and late September 2011, the NSP has reached over 18 million Afghans. Approximately 28,087 communities have been mobilized, and 27,960 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 58,249

community subprojects have been partially or fully financed, of which some 46,610 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, 19 percent rehabilitate irrigation systems, 26 percent improve transportation infrastructure (e.g. roads, bridges), 12 percent provide energy (e.g. micro-hydro, solar energy), 10 percent work on education infrastructure; and the balance 9 percent improve livelihoods and income-generation. The NSP is active in 359 of Afghanistan’s 364 districts and all of Afghanistan’s 34 provinces. As of September 23, 2011, over \$887 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. The project is currently in its third phase which aims to achieve national coverage by rolling out to the remaining communities in the country and also provide a second block grant to approximately 12,000 communities that have already fully utilized their first block grant. The second phase of the project closed on September 30, 2011. An additional US\$ 100 million of ARTF funding for NSP phase three was approved on September 13, 2011 by the Management Committee and will be made available to the project soon. More information is available at <http://www.nspafghanistan.org>.

**National Emergency Rural Access Project (NERAP) (IDA Grant \$152 million and ARTF Grant \$80 million):** Following the successfully completed National Emergency Employment Program for Rural Access project (NEEPA), 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 targets the rehabilitation of approximately 2,300 km of rural

roads and some 9,000 meters of drainage structures, generating 2.13 million unskilled labor days of employment. As of end of August, 2011, 98 of the 121 secondary roads and drainage contracts have been awarded to contractors, of which 54 contracts are completed and 44 are in progress; the remaining 23 contracts are under various stages of development. On the tertiary roads side, 273 of the 314 roads and drainage contracts have been awarded to contractors, of which 189 contracts are completed and 84 are in progress; 41 contracts are under various stages of development. 718 km of the total 1,105 km of the secondary roads and 663 of the total 1,197 km of the tertiary roads have been

“CDCs have so far received more than \$887 million in block grants for community projects.”

rehabilitated. Secondary roads have generated about 669,400 labor days of employment to date and the tertiary roads over 860,000 labor days. Out of the total budget of \$232 million allocated for road rehabilitation, drainage works, and routine maintenance, approximately \$127 million has been disbursed to date.

Due to the increased cost of rehabilitation of road works, the ARTF Management Committee approved on November 22nd an additional funding of \$30 million and a \$20 million allocation which was already approved in October 2009.

Similarly, the World Bank Board approved an additional financing of \$40 million on December 16th. This brings the total NERAP funding up to \$232 million. Bank management recently approved the extension of the Project closing date to December 31, 2013, to allow the outstanding project works to be completed and fully meet the project objectives. The Government prepared a proposal to scale up NERAP by over US\$600 million over the next three years. The proposal has been through two rounds of consultation with stakeholders, where the Government has received important feedback on road standards, capacity, implementation arrangement and institutional needs. By the end of September 2011, the government of Afghanistan submitted to the World Bank the proposal for second phase of NERAP.

**Afghanistan Rural Enterprise Development Project (AREDP) (IDA Grant \$30 million and ARTF Grant \$18 million):** 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 13,000 Savings Groups (SGs), 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





Over 236,000 Afghans, 74 percent of them women, have used micro credit loans to set up businesses in 22 provinces.

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.

AREDP has set up offices and recruited provincial staff in Parwan, Bamyán, Nangarhar, Balkh, and Herat provinces. These offices are now covering 17 districts and 235 communities. In total, 2,049 savings groups (SGs) have been formed with 25,424 Saving Group members. In addition, 76 enterprise groups (EGs) have been formed with savings increasing from AFN8.8 million to AFN12.82 million. Most of the SGs and EGs are now inter-loaning having disbursed AFN 1.9 million to their members. The first of the Village Savings and Loan Associations have also been formed by federating the SGs. The key enterprises that the EGs in Parwan are involved in include saffron production, poultry development, livestock rearing and handicrafts.

**Expanding Microfinance Outreach and Improving Sustainability Project (MISFA) (IDA Grant \$30 million and ARTF Grant \$183.3 million):** The project aims to assist the government in developing a sustainable microfinance institutions 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 \$181 million in funds. There are now 7 microfinance institutions (MFIs), with a network of 244 branches in 22 provinces, and more than 236,200 active borrowers. To date, the program has disbursed a total of 1.875 million loans across Afghanistan worth more than \$1 billion. As of August 31, 2011, the gross loans outstanding to borrowers were \$117 million. Seventy four percent of the total borrowers are women. The ARTF Grant was closed on June 30, 2010 and the IDA Grant funding which ended on December 31, 2010, has been extended for one more year to ensure that the project objectives are met and to assist MISFA in its efforts to develop a sustainable group of microfinance institutions in Afghanistan. MISFA's partners collectively employ 3,129 Afghans, 1,164 of whom are women. 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 <http://www.misfa.org.af>.

**Public Management Reform Projects (IDA and ARTF Grant \$120 million):** A series of five 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 in ARDS:** The procurement advisor has facilitated 1033 government contracts valued at \$2.6 billion.

**Procurement Capacity Building Advisors in the Procurement Policy Unit:** 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 government ministries at the Civil Service Training Institute. Standard bidding documents have been issued for the new procurement law, and robust support has been put in place for the work of the Appeals and Review Commission.

**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 the provincial offices of the Ministry of Finance.

**Audit Advisor:** The audit advisor has assisted the Control and Audit Office (CAO) with the audits of International Development Association (IDA) and ARTF projects. Training is continuing in various areas including computer and language training, technical audit, and modern audit working practices and procedures. Most recently CAO senior officials completed a study tour to European Union entities to learn of their external accountability arrangements.

**Internal Audit Capacity Development:** Following the audit training of earlier years, the Ministry of Finance's Internal Audit Department is now carrying out internal audits of a high standard, in conjunction with teams from

four line ministries. In the new solar year, it will carry-out audits in ten more ministries, in addition to its comprehensive review of operations under the Ministry of Finance.

**The Second Education Quality Improvement Program (EQUIP) (IDA Grant \$65 million and ARTF Grant \$135 million):** The objective of the program is to increase equitable access to quality basic education, especially for girls, through school grants, teacher training and strengthened institutional capacity with support from communities and private providers. Program interventions are primarily targeted towards

*"More than 2.71 million girls and 4.43 million boys are now enrolled in schools."*

general education, teacher training, curriculum development and education management. The Program is fully aligned with the Afghanistan National Education Strategic Plan and supports the institutional development of the program staff of the Ministry of Education. EQUIP has made significant contributions to the education sector in Afghanistan. Since the initiation of EQUIP II in 2008, an additional 191,261 girls have been enrolled, which has increased total girls' enrolment to 2.71 million. For boys, 317,992 have been enrolled, bringing total enrollment of boys to 4.43 million. Through EQUIP I & II, an additional 1,659 schools have been constructed or rehabilitated,

implying an additional 10,270 classrooms. Almost 7,000 school administrators have received School Management Training (SMT 1) training, while 408 have received SMT II training. EQUIP interventions have directly led to the training of almost 100,000 teachers, of which almost 90,000 have received formal the first round in-service training. The second round of in-service training is currently being initiated under EQUIP II. Under EQUIP II a system of scholarships was initiated for women; a total of 585 female teachers have received scholarships in Teacher Training Centers. Community involvement in the provision and quality of education has increased significantly. The Program has helped create 11,087 school shuras and 10,939 School Improvement Plans (SIPs), which are utilized to improve the general learning environment within the school. Quality Enhancement Grants have been distributed to 9,935 shuras; these have primarily been used to purchase necessary equipment for schools such as books, furniture, laboratory equipment etc.

A Mid-term review of EQUIP II was carried out by an IDA team 17-31 July 2011. The findings are summarized in an Aide Memoire shared with Ministry of Education and key donors.

**Strengthening Higher Education Program (SHEP) (IDA Grant \$60 million and ARTF Grant \$5 million):** The program aims to restore basic operations at 12 core universities in Afghanistan — Kabul Polytechnic University, Kabul University, Kabul Education University, and nine regional universities (Balkh, Herat,





**Strengthening Higher Education Program is the first phase of a long term higher education development program in Afghanistan.**

Kandahar, Khost, Bamyan, Kapisa, Takhar, Juzjan, and Nangarhar) — through partnership programs with universities in the region and in the West, as well as through competitive block grants. In June 2010 additional resources of \$20 million equivalent through World Bank's International Development Association (IDA) Crisis Response Window (CRW) was approved to scale up these activities while adding 6 more public universities (Bamyan, Takhar, Jouzjan, Khost, Kabul-Education and Alberoni Universities), in line with the priorities identified in National Higher Education Strategic Plan (NHESP). 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 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. So far the partnership contract with Ruhr Bochum University has been completed. However other partnership contracts have been given extensions to allow masters degree students to complete their studies by June 2012. The original SHEP program will have trained 131 junior faculty members in masters degree programs by June 2012. Under additional financing, the program will train an additional 144 faculty members in Masters and PhD programs from each participating university. In total, the program will have trained 275 faculty members by June 2013. The usage of block grants to procure books, teaching materials, and IT equipment, and to rehabilitate libraries and classrooms and equip laboratories is continuing. In addition, funds for quality assurance, accreditation, curriculum revision and development, and research

development have been allocated to project universities which are being utilized to improve the quality of learning and teaching in universities. 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.

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 of buildings and master plans, capacity building as well as the cost of supervising construction of buildings. Contracts for these activities have been signed for the Universities of Nangarhar, Balkh and Kandahar and are being implemented.

**Afghanistan Skills**



In July 2011, the first batch of 1,050 students graduated in Accounting Management and ICT.

**Development Project (IDA Grant \$20 million and ARTF Grant \$18 million):** The project is designed to increase the number of immediately employable skilled persons by building in stages 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 3 components:

**Component 1:** Mainly focuses on the establishment of the Afghanistan National Qualifications Authority (ANQA); Afghanistan National Qualifications Framework (ANQF), and Awarding Boards. The Committee on Education and Skills Policy (CESP) is in place and full CESP meetings chaired by the First Vice President are being held. A consulting firm (CINOPS) is helping the CESP in developing the institutional structures, technical details, roles and responsibilities of the ANQA, ANQF and the specific Boards that will oversee particular aspects of the education and skills in the country, the rules that will govern the operations of these institutions, and in drafting the law that will provide the legal underpinning for these structures to be established. This legal framework is expected to supersede and replace existing laws in the country on education and skills. Biweekly Technical Advisory Group (TAG) meetings have been held, and a very

informative website has been developed that allows for further consultations.

**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 academic programs. The first batch of about 1,050 students in Accounting, Management and ICT (a two year diploma program, accredited by the University of Jyväskylä, Finland) were graduated in July 2011. The new cohort of the students was competitively selected based on entrance examination. The NIMA have admitted 444 students to keep the size of the student body at a manageable level until it has matured and has built up adequate capacity. The two year contract with NIMA's implementing partner to run the academic program has ended in early July 2011. The Ministry of Education (MoE) has now initiated the process of recruiting a new implementing partner (academic institutes) for the administrative, academic and examination aspects of running NIMA for the next two years. In order to manage the transition, DMTVET is recruiting about 20 junior faculty members to teach until the new implementing partners have been recruited and mobilized.

The project has supported other TVET institutions under the DMTVET to upgrade facilities, recruit faculty and teachers and to expand TVET access. The Afghanistan National Institute of Music (ANIM), established under the guidance of the Project Director, ANIM is now home to

about 175 children, mostly from disadvantaged backgrounds, who are being trained in Afghan traditional and Western Classical music while simultaneously receiving general educational support at ANIM. Besides NIMA and ANIM, the project also supports several other DMTVET schools including the Auto Mechanical Institute, Institute of Local Industries and Construction, Techniki Sanawe, and School for the Blind.

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.

**Component 3:** Under the National Skills Development Program (NSDP), nearly all of the programs contracted out for the training of youth, marginalized farmers and chronically poor women (about 6,750 people) have been completed. The NSDP in the Ministry of Labor, Social Affairs, Martyrs and Disabled (MOLSAMD) has carried out analysis of impact by oversampling the number of eligible trainees and then randomly assigning them into control and treatment groups. The NSDP has also requested additional allocation

## About 85 percent of Afghans live in districts, which now have service providers to deliver a basic package of health service.

from ASDP to expand the training of marginalized farmers, youth and drug addicts, which the project plans to support through restructuring of the project. The training of the trainers for business development services (BDS) has also been progressing well. Implementation of the planned activities for capacity building support to NSDP and MOLSAMD has however been slow. Following the MTR, the NSDP/ MOLSAMD now have planned to recruit the Standard and Curriculum Development Specialist/ Adviser and two specialists (industry and agriculture/ livestock sectors), a Technical adviser for TVET, a contract/procurement specialist/adviser and a procurement/contract officer to further strengthen its capacity. NSDP/MOLSAMD have also prepared a program for the next year, including study tours to learn from the TVET experience of other countries, and training to build skills in strategic planning, M&E, curriculum development, project management, IT and English.

**The Strengthening Health Activities for Rural Poor Project (SHARP) (IDA Grant \$79 million, ARTF Grant \$46 million, JSDF Grant \$17.9 million, \$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 (NRVA) 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 432. About 85 percent of the population lives in districts, which now have service providers to deliver a basic package of health service. However, 57.4 percent of the population lives within one hour walking distance from a public health facility (based on NRVA 2007/2008). Health service utilization increased among project area populations from a rate of 0.3 consultations per capita annually at the outset to 1.21 per capita by the end of 2010. Health care for expectant mothers expanded, with the number of deliveries assisted by trained health workers jumping from 6 percent to 24 percent (NRVA2007/08). The number of pregnant women who received at least one prenatal care visit rose from 11 percent in 2004 to 36 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.

SHARP finances provision of the Basic Package of Health Services (BPHS) in eleven provinces. In Helmand, Farah, Badghis, Nimroz, Samagan, Balkh, Wardak, and Saripul provinces through national and international NGOs contracted out by Ministry of Public Health (MoPH) and in Kapisa, Panjsher and Parwan through direct delivery by MoPH. The MoPH has signed all the BPHS service delivery contracts for 8 provinces of the country. 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 of an innovative results-based financing (RBF) mechanism to improve coverage and quality of services in health facilities is making satisfactory progress. In addition, \$17.9 million has been approved through JSDF to co-finance the SHARP project. This allows the project to provide BPHS services for Balkh, Samangan and urban Kabul for three years. The Bank has also approved Additional Financing from the Crisis Response Window in the amount of \$49 million equivalent to

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.

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, disability and enhanced nutrition services as per the new BPHS package; and (b) improve hospital services critical to reduce maternal and child mortality. Recently, an additional \$24 million has been provided by ARTF to be used to co-finance the implementation of the revised BPHS in 11 provinces, the expansion of the Essential Package of Hospital Services (EPHS) to five provincial hospitals (Nimroz, Wardak, Parwan, Panjsher and Kapisa), and the financial procurement of the Oral Polio vaccine for Afghanistan's Polio eradication initiative.

**Afghanistan HIV/AIDS Prevention Project (IDA Grant \$10 million):** is designed to strengthen national capacity to respond to the epidemic by scaling up prevention programs targeting people engaged in high risk behaviors. These vulnerable groups at high risk include injecting drug users (IDUs), sex workers and their clients 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. The program also finalized the policy on Opioid Substitution Therapy. The HIV/AIDS policy development is in an advanced stage which will be finalized soon. 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.

Based on the recommendations of the mid-term review, the project

was restructured in February 2010. The restructuring includes: (i) Modification of the project performance indicators; (ii) cancellation of part 4.2 in schedule 1 to the Financing Agreement (innovative initiatives sub-component); (iii) expansion of the project scope including possible extension of the provision of harm reduction services for injecting drug users (IDUs) to Farah and Nimroz provinces where the HIV epidemic is believed to be high (dependent on the results of the rapid IDU assessment in these provinces); and (iv) extension of the Project Closing Date from December 31, 2010 to June 30, 2012. Most of the NGO contracts have been extended up to June 30, 2012.

**The Second Customs Reform and Trade Facilitation Project (SCRTFP) (IDA Grant \$50.5 million):** Building on the overall success of the successfully completed Emergency Customs Modernization and Trade Facilitation Project (ECMFTP) and to continue with the reforms underway, the World Bank Board approved a new follow-on project on June 25, 2010. The project will continue to consolidate the customs modernization process, help in improving governance, and on improving the release of legitimate goods in a fair and efficient manner. The grant helps finance costs associated with: a): countrywide computerization of customs clearance operations; b): installation of executive information systems for customs, allowing real-time monitoring of operations; c): development of possible options for cross-border Customs-





ASYCUDA is now operational at seven major Inland Customs Depots, as well as the Kabul Airport

to-Customs cooperation; d) provision of selected customs infrastructure to enable modernized operations; and e) and technical assistance to support the development of a regulatory, administrative, and institutional framework for customs.

Through the support provided by the Bank during the last eight years Customs revenues have soared from around \$50 million in 2003 (SY 1382) to over \$950 million in 2011 (SY 1389) - an increase of around 2,000 percent in eight years. 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. One of the key achievements of Bank's support has been the automation of customs processes with the Automated System for Customs Data (ASYCUDA). To date, ASYCUDA full Declaration Processing System (DPS) is now operational at seven major Inland Customs Depots (ICDs), including at the Kabul Airport, which combined receives over 85 percent of all the country's customs declarations by value. ASYCUDA transit module is now functional

at six transit axes, thereby allowing better control over movement of 85% goods by value entering into Afghanistan. The waiting time for trucks at the major border crossings has also decreased. For example, at Torkham, at the eastern border with Pakistan, over 90 percent of trucks are now cleared in less than

“Customs revenues have soared from around \$50 million in 2003 to over \$950 million in 2011.”

one and a half hours, down from 18 hours in 2003. At the Kabul Inland Clearance Depot, the average waiting time for trucks is a quarter of what it used to be before computerization. Afghanistan's ranking of Customs Logistics Performance Index (LPI) has improved notably from 150 in 2007 to 143 in 2010. In relative terms, as compared with the country with the highest score, Afghanistan's performance increased from 6.6 percent of the highest performer in 2007 to 39.9 percent in 2010.

The Project suffered initial implementation delays due

to delays associated with finalizing agreements with UN Agencies, but is now getting back on track. Two civil works contracts for the construction of the new ICD at Khost, and two civil works contracts for improvement of Jalalabad ICD have already been awarded. Rollout of ASYCUDA Transit module at Waish border and full Declaration Processing System at Kandahar ICD is in final stages, and expected to be completed by December 2011. A number of other activities are in different stages of procurement. Work is also underway by the Advisors in reviewing, legal, administrative and regulatory framework, specifically in areas relating to Customs Act, border management, enforcement, post clearance audit.

**The Emergency Irrigation Rehabilitation Project (IDA Credit \$40 million, IDA Grant \$86.5 million, and \$8 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

## Japan Social Development Fund (JSDF):

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.

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 August 31, 2011, 775 subproject proposals, costing about \$90 million, had been prepared, and approved. So far 707 medium and large size traditional irrigation schemes worth \$62.6 million serving more than 774,000 ha of land in various parts of the country have been completed. As a result of the rehabilitation, an additional 156,500 hectares 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.

**Irrigation Restoration and Development Project (IRDP) (IDA Grant \$97.8 million):** The project builds upon and scales up activities supported under the ongoing World Bank-financed Emergency Irrigation Rehabilitation Project (EIRP). It supports the rehabilitation of irrigation systems serving some 300,000 hectares of land, design and construct a limited number of small multi-purpose dams and related works, while establishing hydro-meteorological facilities and services. project aims to support the Afghan

Government's efforts to: further increase the irrigated area by about 15 percent; increase crop yields by at least 20 percent in project areas; reduce water-related disputes by at least 30 percent in these areas; prepare more cost-effective designs for the rehabilitation and development of irrigation systems using improved hydro-meteorological data. The project was officially launched by Ministry of Energy and Water on September 06, 2011.

"The new IRDP project aims to rehabilitate irrigation systems serving some 300,000 hectares of land."

**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, seven guarantees have been underwritten with the AIGF

covering the agricultural, financial, construction, and telecommunication sectors. The last guarantee under AIGF was issued in September 2011 to the parent company MTN Dubai for an investment in the telecom sector. The project is going to be closed on September 30, 2011 and the ICR is due by end of March 2012.

**Kabul Urban Reconstruction Project (IDA Credit \$25 million and ARTF Grant \$8.8 million):** This ongoing urban upgrading project benefits formal and informal neighborhoods in Kabul, including four historic quarters. About 200,000 persons have already benefited from improved living conditions, with an additional 50,000 due to benefit by the end of the project in December 2011. As of August 2011 118 km of secondary and tertiary roads, 155 km of drain, 95 km of piped water supply network, two deep wells, 38 waste collection points and nearly 8,400 latrines have been upgraded or constructed, while 9,400 street lights have been installed in four districts.

These physical rehabilitation works emerge from Community Upgrading Plans, which are formulated jointly with Gozar Cooperative Shuras, comprising women and men from the inhabitants of a neighborhood – some 500 residents have participated to date. The process of community consultation has been an integral element of the implementation strategy for upgrading works under the project, and the Shuras continue to play a vital role in the operation and maintenance of infrastructure and services, such as solid waste collection. Shuras have also facilitated parallel initiatives such as health and hygiene and immunization campaigns, and could provide a focal



Power transmission lines from Naghlu to Kabul and from Chimtallah substation to Kabul North have been rehabilitated.

point for future urban development initiatives at the neighborhood level.

**The Emergency Power Rehabilitation Project (IDA Credit \$105 million and ARTF Grant \$20 million):** 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.

Several project components have been completed and the facilities are in use and providing the desired services, including the rehabilitation of a 110kV transmission line from Naghlu to Kabul; 110 kV of new transmission lines from Chimtallah substation to Kabul North; supply and installation work of optical fiber ground wire from Pul-e-Khumri to Chimtallah

220 kV transmission line; and rehabilitation of 110 kV North-West and North Substations. Unit no. 4 of Naghlu hydro project was commissioned in October 2010, and rehabilitation of Unit no. 3 is under way. However, this component of the project, the 110kV transmission line from North-West to North Substation and to East substation, and the rehabilitation of medium voltage systems in Kabul continue to experience significant delays due to security considerations, right of way, and some contractual issues. The government has requested additional financing from the World Bank for both contracts which are currently under review.

DABS (Da Afghanistan Brishna Shirkat – Afghanistan Power Utility) has also significantly improved the power supply to Kabul, as well as billing and collection. By December 2010, DABS had fulfilled the ARTF benchmarks for FY1389 relating to improved commercial performance: it had opened five Customer Care Centers in Kabul; met revenue from billed energy cash realized per kWh energy supplied benchmarks; and established a hotline for supply-related complaints.

Given the delays, and after

the revised work schedule agreed between the parties, the closing dates of the IDA Credit and ARTF Grant have also been extended from the original dates of September 30, 2010, and June 30, 2010, respectively, to September 30, 2012.

**Urban Water Sector Project (IDA Grant \$17 million):** The project which originally aimed 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.); (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, was restructured in October 2010. The revised objective is to assist the Government of Afghanistan to develop the capacity of the Afghanistan Urban Water Supply and Sewerage Corporation (AUWSSC) for operational management and investment planning and implementation. To achieve the revised objective, the restructured project included (i) modification of

the project scope to reflect the cancellation of the Kabul water supply system component; (ii) addition of two new activities for the preparation of a new water supply project for Kabul and a pilot scheme for expanding water supply services by small private operators; (iii) revision of the project development objective and project results and indicators; and (iv) extension of the current grant closing date to June 30, 2012, to enable completion of the technical assistance and capacity building activities for the water supply and sewerage utility.

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 management team, comprising of General Manager, Finance Manager, and Deputy Technical Manager have been appointed. The Internal Auditor, External Auditor, consultants for obtaining technical assistance regarding corporatization and capacity building, and Heads of six Strategic Business Units have also been appointed. AUWSSC took over the existing urban water supply and sewerage operation in the country, and expanded into three provincial towns.

**Sustainable Development of Natural Resources Project (IDA Grant \$92 million Grant):** The project supports measures to enhance regulatory capacity,

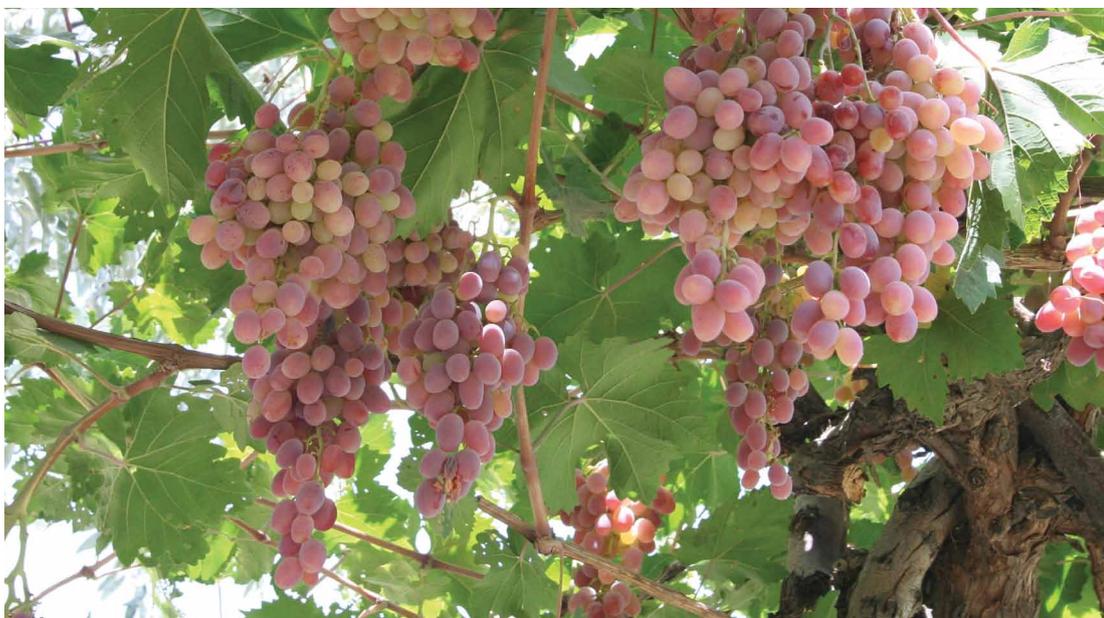
foster private sector development and adherence to international standards. This project is helping the government to ensure that the revenues from these valuable resources are available to the country as a whole and are transparently managed. Among the approaches the government will use to manage the sector is the Extractive Industries Transparency Initiative (EITI) – 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.

A quarry/mine verification exercise is being undertaken using members of the Extraction Department and the Inspection Department of the Ministry of Mines. The exercise is using hand-held GPS instruments to obtain coordinates of actual quarries around Kabul, photographs are taken of the GPS and site, and this information, together with other information regarding the contract, is placed in a newly established filing system (hard copy), with a copy of the contract as obtained from the Department of Extraction. To date, 69 quarries have been located. The filing system is, however, being progressed. The program is also used for training in the use of GPS instruments in a real situation. The Mineral Resource Development Corridor has been researched, maps were prepared, and the concept of the Resources Development Corridor was developed and received high commendation from the World Bank. New plans to enhance and promote the concept by developing a comprehensive geo-scientific database are under way as are plans to develop an inventory of mineral assets and promote mineral assets for Afghanistan by mineral districts and mineral deposits. In addition, the project will assist AGS with the planning and management of conducting countrywide a regional stream sediment geochemical survey,





Over 3,000 hectares of new orchards have been planted under the Horticulture and Livestock Project.

geochemical database and interpretations, and mineral deposit assessments. The project is also helping the government through Transaction Advisers with bidding procedures of the Hajigak Iron Ore Deposit, which is one of the world class iron deposits.

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. An EITI Secretariat and the National Multi Stakeholders Group, with a broad participation of government, private sector, and civil society groups, have both been established to run and oversee EITI implementation processes in Afghanistan.

**Emergency Horticulture and Livestock Project (HLP) (IDA Grant \$20 million and ARTF Grant \$34.3 million):** The project is making good progress especially under the Horticulture component. Over 3,187 ha of new

orchards have been planted which makes 106 percent of the set target of 3,000 ha. Four additional crops -- apple, peach, plum, and cherry -- were introduced during fall season campaign (the previous crops were almond, apricot, pomegranate, and grape). In addition, the project promoted four suitable intercrops—alfalfa, tomato, onions, and water melon. Over 600 female farmers have participated in the new orchard's scheme. Besides receiving input, farmers have received extension messages. The component also supports existing orchards by providing extension messages and inputs through farmers' field schools. In addition, they were supported by HLP's Market Support Officer in joint marketing.

Under the Animal Health Component, 114 government veterinary clinics have been transferred to trained veterinarians for private operation. In addition, training and provision of packages for 53 additional clinics for a similar transfer is ongoing. The poultry subcomponent has helped poor women enhance their incomes from poultry production. Under this component, over 25,000 intensive poultry units have already been established, out of which 18,000 units

were established in spring and summer of 2011. So far, around 16 million eggs have been produced. Furthermore, 200 small-scale broiler units were also established by December 2010. Out of 7,000 units established in 2009, 94 percent have started the second production cycle without financial assistance from the project, which demonstrates sustainability.

**Private Sector Development Support Project (PSD) (IDA Grant \$25 million):** The project aimed to stimulate the local economy to generate employment, create income and alleviate poverty. The project supported: (i) constructing an industrial park at Hesar-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.

Civil construction work of

the park, which includes leveling, boundary walls, road work, storm water drainage, and water supply system, have been completed.

It was proposed to finance the transmission line from Jalalabad to the industrial park through the project. However this would have required an extension of the project's closure date (the project was scheduled to close on June 30, 2011) as well as additional financing. To help reach a decision on whether to extend the project and to request additional financing, AISA commissioned a study focused on the following aspects: (i) industry sector assessment and demand analysis, (ii) economic and financial modelling, (iii) institutional framework and management arrangement, and (iv) an implementation action plan.

Following the completion of this study and discussions with stakeholders, the World Bank concluded that a two-year project extension would not allow the project to reach a satisfactory outcome on account of the following: (i) reliable grid power is critical for the viability of the industrial park. At this stage, reliable grid power supply cannot be guaranteed, which will significantly and negatively affect the demand for the industrial park from private firms, (ii) a two year extension will not be sufficient to complete the waste water treatment plant and the landfill site, (iii) the project implementation mechanism appears, in hindsight, inappropriate for the effective development of the industrial park, (iv), in the base case scenario, the up-take for the industrial park would be far beyond the timeframe proposed for project extension.

Based on the above, the project would not be completed and achieve its development objective by the end of a two-year extension period. Hence, it does not meet the criteria set in the Bank's operational policies for the extension of the closing date. The project therefore closed on June 30, 2011 and the Implementation Completion Report will be completed by December 30, 2011.

**Civil Service Reform Project (IDA Grant \$20.4 million):** The project supported the Independent Administrative Reforms and Civil Service Commission (IARCSC) and key government ministries in improving their human resource

management capabilities. At the end of the project, approximately 88 percent of total civil service posts have been re-graded and 60 percent of recruitment into re-graded post completed through an open merit based system. Human resource directorates were established, staff trained, and regulations and procedures for HR developed in five ministries: the Ministry of Public Works, Ministry of Rural Rehabilitation and Development, Ministry of Transport and Civil Aviation, Ministry of Finance and Ministry of Agriculture, Irrigation and Livestock. Technical capacity has been developed for senior management within the Civil Service Management Department at IARCSC. Merit based appointments were extended to all grade 1 and 2 posts within government civil service structure. Independent third party of civil service recruitment was also introduced. The project closed on July 31, 2011 and the project implementation completion report is due in November 2011.

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

The project, approved in 2009, 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 area's offside 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). AIBF was officially inaugurated on November 10, 2010.

Through this project, IFC has also provided 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 has included support to DAB on enactment of the Secured Lending transactions Law and the Credit Reporting

Regulation. 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 (PCB) in the future. It has been constructed to attract leading private providers (mandatory sharing and mandatory inquiries with borrowers' consent, closure of the Public Credit Registry (PCR) to inquiries when the first PCB opens) and allows the participation of regulated and non-regulated entities. The procurement process for the implementation of the Public Credit Registry is underway and the contract should be awarded by end November 2011. The implementation of the movable collateral registry is underway. IFC has also helped draft a best practice Leasing Law.

**Afghanistan New Market Development Project (IDA Grant \$22 million):**

The project will pilot a business development program in the four urban centers of Kabul, Mazar-e-Sharif, Jalalabad and Herat, which are the major hubs of economic activity. It will help enterprises in these centers to gain market knowledge, improve the quality of their products, boost their productive capacity, acquire new technologies, and develop and implement business plans to increase their presence in both the domestic and export markets. The project specifically aims to support approximately 750 enterprises and 10 business associations through a cost sharing facility to access business development services. The project is expected to create around 1,500 jobs in the short term with much higher job growth expected over the longer term. Project implementation has started and key recruitments (for the Project Management Unit and for the Facility for New Market Development) are under way.

**Afghanistan Financial Sector Rapid Response Project (IDA Grant \$19 million):**

It will assist the Da Afghanistan Bank (DAB) to develop a set of action plans to improve banking supervision



The Bank's Global Food Crisis Response Program helped rehabilitate 394 small irrigation schemes, benefiting over 6,900 families.

and implement a modern payment system for efficient and transparent payment transactions. Specifically, the project aims to allow the DAB to accurately assess the financial situation of ten commercial banks through audits conducted in accordance with international standards. The audits will lead to the development of actions plans to address weaknesses that are identified, with oversight from the DAB. The project also aims to modernize the national payment system with the goal of reducing the use of cash transactions, currently the main means of making payments in Afghanistan, and transitioning to electronic, card or mobile payments. The project will also provide further support to AIBF to allow the institute to scale up its activities, in order to increase the availability of banking sector skills in Afghanistan. The audits of the ten commercial banks are expected to start in October 2011.

**Afghanistan Food Crisis Response Project (\$8 million Grant):** The Bank's new Global Food Crisis Response Program provided assistance for the rehabilitation of approximately 474 small irrigation schemes, critical to the recovery of the country's

agriculture. The project closed on September 2010 at which time approximately \$7.9 million had been disbursed overall, of which \$6.8 million was disbursed directly to rural communities for implementation and construction work of irrigation subprojects. Of these, 394 subprojects have been completed by the communities, while the remaining 80 subprojects are still ongoing and funds for these subprojects have been fully disbursed into community bank accounts. An Implementation Completion Report for the project is currently under preparation.

These irrigation 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 which will enable farmers to expand irrigated farmland.

**Afghanistan Pension Administration and Safety Net Project (IDA Grant \$7.5 million):** 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 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, Social Affairs, Martyrs and Disabled (MoLSAMD) to plan and administer programs in pensions and safety nets. At present, the pension beneficiary survey has been completed in three provinces (Balkh, Herat and Nangarhar; and work on a new computerized system for the Pension Department has been initiated and a gap analysis has been completed; various manuals and forms for the new benefit application process are completed and introduced to government ministries and agencies; a public information campaign for the HR officers and employees of the government agencies will soon be rolled out. On the safety nets side, a new targeting instrument has been developed and a comprehensive Operational Manual for the pilot has been developed. A small-scale proof of the concept pilot (covering 22 villages and around 500 beneficiaries) has already been completed in Farza district of Kabul province. The second phase of the



**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.

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.

pilot program has been rolled out in three districts of three different provinces (Kabul, Badghis and Badakhshan). Information on poor and vulnerable household from these districts has been entered into a specialized database developed for the project. Evaluation of the pilot covering evaluation of the targeting instrument and operational evaluation of the proposed new delivery mechanism is underway by a specialized firm hired for this purpose by the Ministry. Results of the evaluation are expected by end fall this year.

**Afghanistan Information and Communication Technologies (ICT) Sector Development Project (IDA Grant \$50 million):**

The project builds on the success of earlier projects and catalyzes the next phase of ICT development in the country. It will support policy and regulatory reforms and strategic infrastructure investment to expand connectivity and enable more users to access high quality mobile and internet services. It will also help mainstream the use of mobile applications to improve public service delivery and program management in strategic sectors in the Government. The project will help develop the local IT industry by expanding the pool of skilled and

qualified IT professionals, and supporting the incubation of ICT companies in Afghanistan. Some of the expected results that the project will support include: increasing telephone penetration from 55 percent to 80 percent of the population; increasing internet penetration to 10 percent of the population; adding 1000 km to the fiber optic national telecommunications backbone network; training at least 1500 Afghans for the IT industry; and supporting at least 10 government agencies to make government information and services available on the mobile phone.

**A F G H A N I S T A N  
R E C O N S T R U C T I O N  
T R U S T F U N D**

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 until September 22, 2011, 32 donors had contributed over \$4.3 billion, 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 World Bank as Administrator of the fund. The Management Committee consists of the World Bank, the Islamic Development Bank, the Asian Development Bank, UNDP and the Ministry of Finance. The Management Committee meets regularly in Kabul to review the ARTF finances and approve funding proposals. Once a quarter, ARTF Donors meet to discuss broader strategy with the government and ARTF Management in the Steering Committee.

**ARTF and Donor Contributions:** A total of 32 donors have contributed to the ARTF over the past nine 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



The newly established Customer Care Centers in Kabul City are enabling DABS to provide improved services to customers.

and that it retains some flexibility in the approval of National Priority Investment Projects.

**The Recurrent Cost (RC) Window (\$2.29 billion Grant):** To date, the ARTF has disbursed \$2.29 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 40 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 62 percent 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 (SY1388 and SY1389) investment commitments have exceeded recurrent cost commitments. Disbursement rate on ARTF investment as of September 22, 2011 is 44 percent. However, during the start of SY1390, commitments and disbursements were very low compared to a similar period in SY1389. 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 education, have been strongly supported by the ARTF.

As of September 22, 2011 (SY1390), there were 20 active projects funded through ARTF, with a combined available commitment value of over \$478.39 million. Full details of investment activities are provided in the ARTF Quarterly Reports available at [www.worldbank.org/artf](http://www.worldbank.org/artf).

**Kabul/Aybak/Mazar-e-Sharif Power Project (\$57 million Grant)** 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.

For last few quarters, the project's progress has been very slow. The suspension of pole delivery by the Ministry of Energy and Water (MEW) for several months, the non-issuance of customs exemption certificates, the complexity around the issuance of amendment of LCs, as well as the overall security situation have

caused the project to be significantly delayed. The LC (Letter of Credit) issue has recently been resolved and work has recommenced however all contractors are aware of the current Grant closing date of 30 September and are limiting their activities accordingly.

The physical progress of the Kabul rehabilitation work is slow with only about 80 percent of the work completed as of August 2011. In Mazar, distribution work is only 60 percent complete, while the substation construction work at Aybak and Mazar are 58 and 55 percent complete respectively while equipment deliveries are 91 and 97 percent complete.

Despite delay in overall implementation, digital energy meters have all been shipped and their installation is already in progress. The Customer Care Center has also been completed and handed over to DABS. DABS is now able to provide improved service to its customers through this center. Ministry of Finance submitted a request for a nine month extension to the closing date. As part of its request it has also provided a Work Plan for the extension period, setting out how implementation will be completed. In view of the submitted work plan for the extended period and resolving some factors causing implementation delays, the World Bank approved the extension of the grant closing date from September 30, 2011 to June 30, 2012.

**ARTF – Afghanistan Power Sector Development Project (\$60 million Grant):** The project supports the Government of Afghanistan in increasing: (i) access

to grid power; and (ii) the quantity of power available to consumers in the target urban centers of Pul-e-Khumri, Charikar, Gulbahar and Jabul-Seraj. The project consists of the following three components: Distribution System Rehabilitation; Rehabilitation of Transmission Switchyard Associated with Naghlu and Mahipur Hydropower Stations; and Institutional Capacity Building and Project Management Support to Ministry of Energy and Water (MEW). The project is also supporting the establishment of a unit within MEW to promote energy efficiency and saving. The project was designed at \$60 million. Phase I of the project was started with \$35 million. The proposal for the balance of \$25 million of ARTF funding was approved in January 2011, and now the full \$60 million funding is available for the project. A one-year extension in the project closing date has also been approved and the new closing date is July 31, 2013; the extension will cover the completion of rehabilitation of Naghlu and Mahipur Switchyards and the delays in the project that have occurred in the past.

The state-owned utility DABM was converted to a corporate DABS. It was officially formed on May 4, 2008, and took over the assets of DABM on September 30, 2009. Work on the rehabilitation of distribution works at Pul-e-Khumri and Charikar, Gulbahar and Jabel-es-Seraj is underway. The rehabilitation and extension work includes 173 km of MV lines, 10 km of underground MV cables, 420 km of LV lines, and 170 distribution transformers. The contractors have completed survey and design work. Delays occurred in release of funds, customs clearance

issues, pole design/quality issues, and extension of some of the L/ Cs. Most of the equipment has been procured and is either being manufactured or has already arrived in Afghanistan. In Pul-e-Khumri, the coverage area had to be increased.

The project is supporting the energy efficiency activities of the Ministry of Energy and Water through the setting up of an Energy Efficiency Unit. The World Bank is funding the salaries of Energy Efficiency Engineers at MEW, including a recently hired Energy Efficiency Advisor (National). The project aims to strengthen Afghanistan's capabilities to incorporate energy efficiency into its core energy development strategy, and mitigate the impacts of high generation costs on consumers. The EE Unit will work in the area of promoting energy efficiency and demand-side measures, including the implementation of some pilots. It will also work towards preparing and implementing a communication strategy for creating awareness among consumers. The EE Unit has started its fieldwork, and some buildings have been audited.

A household energy survey has been completed. Results show that respondents are willing to pay more for better quality electricity, and there is awareness of energy saving and alternate energy measures. Results of the study were disseminated in a workshop on October 6, 2010, which was chaired by the Minister of Energy and Water and attended by Ministry officials. It has been recommended by the Supervision Consultant to go to the next stage and address the comments in the Survey by





**The On-Farm Water Management Project aims to improve agriculture productivity by enhancing the efficiency of water used.**

carrying a Feasibility Study to assess the most critical area where power is needed.

Two other activities in the energy efficiency area explicitly designed to promote energy efficiency and demand-side measures in Afghanistan are: (i) an Energy Efficiency Study for large public buildings in Afghanistan (funded by ESMAP); and (ii) an Energy Assessment (Analytic and Advisory Activities (AAA) identifying energy efficient lighting solutions in Afghanistan. Both these Bank-executed studies have been completed and shared with MEW and Inter-ministerial Commission on Energy participants.

**Kabul Urban Roads Improvement Project (\$18 million Grant):** 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. Under this project 12 km of the existing roads will be rehabilitated in Kabul city. The project has shown notable implementation progress in this quarter where physical progress increased from 77 percent to 93 percent and disbursement stands at 57 percent as of end of August 31, 2011. The contractor has been issued the substantial completed certificate and is expected to complete the remaining work before the grant date closing date of December 31, 2011.

The government has submitted a new request for second phase of KURIP to be funded through the ARTF window for an amount of \$45 million. Currently, the request is under evaluation by the World Bank.

**Afghanistan On-Farm Water Management Project (\$41 million Grant):** This pilot project is designed to support on-farm water management investments in five regions (Herat, Bamyan, Nangarhar, Balkh, and Kabul) covering a total of 175 irrigation schemes in approximately 50,000 ha. The project will improve agricultural productivity in project areas by enhancing the efficiency of water used.

In the past few months, all 5 Area Teams have started their

activities in the field. A total of 41 Irrigation Associations have been established so far in these regions, and in every Irrigation Association farmers have paid substantial membership fees. Technical surveys have also been completed in 16 irrigation schemes and designs have been developed for 8 schemes. A group of technical staff along with their designs visited the Water Management Training Institute in Lahore, Pakistan, where their designs were checked by Pakistani experts. Five designs for irrigation demonstration plots have also been established to disseminate improved water-saving techniques.

**Afghanistan Justice Sector Reform Project (Phase 1) (\$27.75 million Grant):** In line with the ANDS and National Justice Sector Strategy (NJSS), the Justice Sector reform project's (JSRP) objective is to enhance capacity of the justice institution to deliver justice.

The project has made most progress in establishing the basic infrastructure for improved access to justice. Thirty legal libraries have been established across the country. The Ministry of Justice (MoJ) has undertaken a major effort to print and disseminate Afghan laws. A



network of 6 legal aid offices and 3 legal awareness offices is operational. The MoJ is contracting the biggest Legal Aid NGO (International Legal Foundation (ILF)) to provide legal services in 13 provinces. It is anticipated that the MoJ will be able to process up to 2800 more cases within the next 6 months.

The project has also made progress in improving the physical infrastructure of the justice sector. Twenty three court houses and offices have been repaired. Work on the AGO headquarters is almost complete. More modest improvements have been achieved in the areas of capacity building and human resource management reform for the Justice Institutions. Training has been organized for 90 judges at the Judicial Training Academy in Egypt. A National Conference of Prosecutors has been organized. Reform Implementation and Management Units have been established in the Supreme Court (SC) and Attorney General's Office (AGO) to spearhead the reform of human resource management in those institutions in line with the broader pay and grading reform across the Afghan government. The Procurement and Financial Management Manuals have been finalized. The implementation of the activities during the extension period will allow translating existing results into a higher volume and better quality of legal services, particularly legal aid. It will also secure smooth transitioning from Phase 1 to Phase 2. The project has disbursed about \$10 million to date.

In June 2011 the Government and the World Bank agreed to extend the closing date of the project from June 30, 2011, by 6 months, until December 31, 2011. The extension is limited to specific activities of the project, which meet three criteria: they must be high priority activities; (ii) their implementation is rated moderately unsatisfactory or above; and (iii) they can be completed by the proposed closing date, or they are of an ongoing nature and require continued financing (e.g. operational costs of legal aid offices).

**The Management Capacity Program (\$35 million Grant):** This program was designed to achieve improved performance in the management capacity of key departments in areas such as financial management, human resource management, policy and regulatory design, and administration. This should ultimately result in improved utilization and cost effectiveness of budgetary resources and faster and better development results. By July 2011, more than 140 MCP appointments had been made across 28 ministries and agencies. From late 2010, the program has focused capacity efforts on fewer ministries by supporting selected ministries to recruit larger numbers of MCPs. As a result of this focusing of effort, better outcomes are being achieved in these ministries/agencies. MCP recruitments are made competitively through the Government's civil service regulations. All recruitments are subject to independent 3rd party monitoring. This program ends in December 2011.

**Note:**

All dollar figures are in US dollar equivalents.

IDA (International Development Association) is the World Bank's concessionary lending arm.



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