



THE WORLD BANK GROUP



C O U N T R Y U P D A T E



South Asia Region (SAR) **Afghanistan**

INTRODUCTION

Afghanistan has begun an enormous political, economic, and social transformation since it was suddenly catapulted onto the world stage two years ago. Progress to date has been encouraging, but tremendous challenges remain.

After 23 years of conflict, the Afghan people are working with a strong sense of urgency to restore peace and prosperity. They have installed a national government, held a national assembly—the Loya Jirga, elected a head of state, and approved a new constitution after widespread consultations with Afghan citizens. The government has prepared a national budget and development framework to guide the country's reconstruction, and there are signs of economic recovery.

With international assistance, the government has undertaken a tremendous effort to eradicate polio and vaccinate against measles and TB. The numbers of students and teachers returning to school as a result of a donor-assisted Back-to-School Campaign have far exceeded expectations, with 3 million students enrolled and another 1.5 million looking for schooling opportunities.

Afghanistan still faces daunting challenges, however, with most Afghan people still living in dire poverty. According to figures from 2001 and early 2002, only 13 percent of its 23.5 million population had access to improved drinking water sources (19 percent in urban and 11 percent in rural areas), and 12 percent had access to improved sanitation facilities (25 percent in urban and 8 percent in rural areas). Just 6 percent of the population had access to electricity. Despite increases in agricultural production, a considerable number of Afghans depend on food assistance provided by the humanitarian community. More than 70 percent of schools need repairs, as do most of the country's primary roads. Life expectancy at birth in Afghanistan is 43 years (compared to 59 years for low-income countries worldwide).

The government also faces the enormous tasks of holding free and fair elections, developing a sound financial and banking system, and developing a professional national security architecture—all of this while the situation in the country remains highly volatile.

WORLD BANK ASSISTANCE

In February 2002, the World Bank reopened its office in Kabul, where a country manager and a permanent staff of around 20 are now stationed. The Bank has been working closely with the government and bilateral and multilateral development agencies to help ensure that international assistance is well coordinated and efficient.

Since April 2002, the World Bank has committed \$281.8 million in grants and an additional

The World Bank and Partners

Afghanistan Work in Progress:

- Ø Keeping lights on in Kabul
- Ø Repairing roads
- Ø Training female teachers
- Ø Creating jobs
- Ø Connecting government to the internet
- Ø Working with communities
- Ø Cleaning up Kabul
- Ø Helping government manage resources

\$221.4 million in no-interest loans, known as a “credits”, for development projects which are helping to meet urgent needs by providing jobs; improving roads; increasing the power supply in Kabul; cleaning up municipal waste; repairing schools, and improving health services. They are also building a foundation for the future, helping to mobilize communities; strengthen public administration, and develop the national highway and civil aviation programs.

In addition, the Bank is administering five grants, totaling \$7.7 million from the Japan Social Development Fund (JSDF), for support, including community rehabilitation, encouraging youth entrepreneurs, and local infrastructure development; and it is providing a \$1.5 million grant from the World Bank Post Conflict Fund to finance a number of refugee education projects being implemented by NGOs and United Nations-affiliated agencies.

The World Bank is also supporting the government’s efforts to manage donor funds with transparency and accountability and to outsource program implementation to nongovernmental organizations (NGOs), the private sector, and communities. The Bank has been an active advocate of channeling donor resources through the government as a means of assuring that investments are aligned with national priorities and building the capacity and the legitimacy of the state—both critical to achieving stability in Afghanistan.

In March 2003, the Bank finalized its Transitional Support Strategy for Afghanistan, which directly supports the government’s National Development Framework. It outlines the Bank’s assistance over a period of two years, by which time the government intends to hold elections. The strategy focuses on four key areas: improving livelihoods; assisting with the government’s fiscal strategy, developing and managing institutions; supporting governance and public administration reform; and helping to enable private sector development in Afghanistan.

The World Bank is also acting as the administrator of the multilaterally supported Afghanistan Reconstruction Trust Fund, which is being used to cover government recurring costs and salaries, and also a number of new projects in areas such as microfinance, telecommunications, and infrastructure.

STATUS OF OPERATIONS

Emergency Infrastructure Reconstruction Project – US\$33 Million Grant

3 Is supporting rehabilitation of urgently needed water supply and sanitation in secondary cities, sanitation in Kabul, and basic electricity for all cities. Urban public works generate short-term employment opportunities. Achievements to date include:

Solid Waste Management in Kabul: Implementation began in Kabul in October 2002 for the collection of solid waste which had been lying throughout the city for months. To date, over 120,000 cubic meters of solid waste have been collected and 46 community organizations have been formed to help solve sanitation problems. To develop local capacity and “learning by doing,” all project staff are based within the municipality in order to work closely with the sanitation department. In addition to speaking with over 68,000 students, teams of professional female hygiene and health educators have visited over 170,000 households to speak with families about the correct and safe clearing of their rubbish. The project is being implemented by Habitat, the United Nations Human Settlements Program together with the Sanitation Department of Kabul Municipality. The project will end in April 2004 at which time the Municipality will assume full responsibility for the operation.

Labor Intensive Municipal Public Works Program: Launched in December 2002, this program is implementing over 100 labor-intensive projects for infrastructure improvement and repair in the five main cities in Afghanistan. Project and municipal staff met with local communities in Kabul, Kandahar, Jalalabad, Mazar-i Sharif, and Herat to identify priority public infrastructure works. As of September 2003, the cash-for-work projects had generated approximately 3,000 person months of employment. The works will make much-needed repairs, while providing short-term employment, and will include demolition of damaged buildings, recycling of rubble, the recovery of useable building material, clearing



World Bank staff consults project team members from United Nations Habitat and Kabul municipality



Solid Waste Management Project in Kabul



Under the Emergency Infrastructure Reconstruction Project, the World Bank has committed \$1.5 million for spare parts for the 100 mw Naghlu Hydro Power Plant which serves Kabul. It expects to spend another \$5 to 10 million under a follow-up project.



World Bank staff listen as Afghanistan's Minister of Rural Rehabilitation and Development and the head of a local community explain how the National Solidarity Program is working in this village north of Kabul.

of drains, reconstruction of schools and clinics, and the revitalization of urban parks. The program is being overseen by Habitat, in coordination with Afghanistan's Ministry of Urban Development and Housing.

Recommissioning the Northwest Kabul Power Station: Both turbines of the 45 mw Northwest Kabul thermal power plant, which had remained inactive for 14 years, have been recommissioned and are operational. This has almost doubled the available power supply in Kabul, particularly critical during the winter months, when demand increases by one-third. The power has been used mainly to heat and light homes and offices and allow street lights to be lit. World Bank grant funds of \$2.4 million were also used to purchase diesel fuel to operate the plant last winter. Fuel for the current winter is being funded by the multilateral Afghanistan Reconstruction Trust Fund and United States Agency for International Development (USAID).

Power Sector Master Plan: A draft master plan to reform Afghanistan's power sector was submitted in October 2003. It provides the basis for future investments in power generation and transmission up to the year 2020.

Emergency Public Works and Community Empowerment Project – US\$42 Million Grant

3 Is supporting community mobilization and providing employment through infrastructure projects—mainly roads—which will, in turn, improve access to schools, healthcare, and markets in rural areas

Support for the National Solidarity Program (NSP) - US\$22 million: The NSP is the government's flagship program to support small-scale reconstruction and development activities identified by communities across the country. Implementation is now in progress in around 950 village communities in more than 20 provinces, with a focus on conducting village development council elections and preparing community infrastructure projects. Elections have been conducted in over 340 village communities. A follow-up project—the Emergency National Solidarity Project—funded by an IDA Grant of \$95 million was approved by the World Bank's Board on December 23, 2003.

Labor Intensive Public Works Project - US\$16.5 million: The project is funding the start-up phase of the government's National Emergency Employment Program (NEEP). The program is providing employment for poor people across the country through labor-intensive public works. Projects involve mainly road rehabilitation and repair, but also rehabilitation of local irrigation works and schools. In addition to its short-term employment benefits, investment in rural access infrastructure helps reduce poverty by improving access of the rural poor to basic services and markets.

The Ministry of Rehabilitation and Rural Development (MRRD) and the Ministry of Public Works (MPW) are implementing the program, partnering with CARE International and the United Nations Office for Project Services (UNOPS) on subprojects. Provincial and district authorities are involved in the prioritization of subprojects proposed for funding.

Since implementation began in January 2003, a total of 267 road repair subprojects have been completed, employing over 80,000 persons, generating 2.1 million person-days of employment, directly benefiting about 250,000 family members, and repairing 3,638 km of rural roads.

Salang Tunnel Rehabilitation – US\$3.6 million: Work started in September 2002 on the 2.7 km tunnel, which covers a critical section of the highway that connects the city of Kabul to eight provinces and the country of Afghanistan to both Uzbekistan and Tajikistan. Typically, in the winter season poor ventilation and electricity connections combined with snow and ice accumulation have made the tunnel treacherous and often impassable. Work has included removing collapsed snow galleries, filling bomb craters, and removing sections of collapsed ventilation shafts.

In December 2003, the Salang tunnel project was substantially completed and opened for two-way traffic day and night for the first time since 1997. The tunnel is the only entry point



World Bank staff member consults local citizens in Parwan Province



Salang Tunnel Rehabilitation has been undertaken by Afghanistan's Ministry of Public Works working with the French NGO, ACTED, with funding from the World Bank and the US Agency for International Development.

to Kabul for humanitarian aid and other goods as well as for returning refugees from the North. Besides protecting human lives, ensuring continued safe passage through the tunnel and upgrading the mountain road will help keep down the price of essential goods such as food and clothing. The open tunnel will now greatly facilitate traffic, trade, and the economic recovery of Afghanistan.

The Bank is also financing the task of upgrading the road from Kabul to Kunduz and onwards to the Tajikistan border at Sher Khan Bandar. Critical repairs of retaining walls and snow galleries and urgent mine clearance works have begun. Road works on the mountainous sections at Salang have been hampered by snow lately, but snow clearance has improved with new equipment and experts provided under the credit.

National Emergency Employment Program for Rural Access – US\$39.2 Million Credit/Grant

The project is part of the Government's National Emergency Employment Program (NEEP), which is providing much-needed jobs through infrastructure projects which will, in turn, increase access to services and markets in rural areas. The credit portion is financing the reconstruction of secondary rural infrastructure, including main roads, bridges, and airfields. The grant is financing the rehabilitation of district- and village-level infrastructure and the technical assistance to help the government with the implementation of NEEP. The Ministry of Public Works and the Ministry of Rehabilitation and Rural Development are implementing the credit and finance portions, respectively, partnering with the United Nations Office for Project Services (UNOPS) and International Labor Organization.

Under Ministry of Rehabilitation and Rural Development subprojects, 24 Provincial Technical Advisers have been recruited and trained. Eighty-seven projects have been prioritized to repair 1,356 km of rural roads under 313 contracts. In one month, 28 subprojects totaling 567 km have been designed, and bids for 18 subprojects costing \$1.39 million have been received. The Ministry of Public works led a planning process during which work on 355 km of secondary roads, 45 bridges, and four airfields have been prioritized. A key result of the financing has been the ability of the government to mobilize resources and keep its promise of a countrywide launch of the NEEP.

Emergency Public Administration Project – US\$10 Million Grant

3 Is supporting Afghanistan's efforts to lay the foundation for a transparent, well-functioning public administration by facilitating better use of public resources. The grant is financing the employment of international consultancy agents who are working with government officials to carry out procurement, financial management, and audit functions; develop the administration's capacity in these areas; and assess existing systems and procedures to recommend suitable policy reforms. Achievements on the ground to date include:

Financial Management Agent: A computerized check issuance system, coordinated with the Treasury Department in the Ministry of Finance, went on line in Kabul in October 2002. As a result, real-time reporting is possible for all expenditures processed in Kabul. Weekly expenditure reports are now produced and used by the Ministry of Finance to report to the Cabinet on budget expenditures. A pilot roll out of the Afghanistan Financial Management Information System to two provinces is underway. Work is progressing toward the integration of a standard payroll module which will be piloted in two ministries. This is a first step towards putting in place a system for making individualized payroll payments.

Procurement Agent: By mid-November 2003, the procurement agent had facilitated 140 contracts valued at \$248 million for the government. In addition, it was processing 44 additional contracts valued at about \$169 million. Training has been provided for over 70 ministry staff in procurement rules and procedures with more courses planned. A draft procurement law and related regulations and bidding documents have been prepared and are under consideration by the government.

Audit Agent: Over 100 staff have participated in various training courses including computer and language training and technical audit courses. On the job training in modern



A crumbling Bridge in Logar province

audit working practices and procedures has been undertaken during audits of World Bank-funded projects and the Afghanistan Reconstruction Trust Fund. A strategic development plan is under preparation along with a review of the legal framework associated with audit activities.

Second Emergency Public Administration Project – US\$8.4 Million Grant

The Second Emergency Public Administration Project (SEPAP) was approved by the World Bank's Board on June 24, 2003. The project is financing the continued employment by the government of qualified firms to assist, on an interim basis, with procurement and financial management capacity building. In addition, SEPAP will provide assistance to the Independent Administrative Reform and Civil Service Commission to develop its capacity to undertake the development and oversight of merit-based appointments of senior civil servants and appeals, civil service management, and overall management and implementation of the public administration reform program. Further services will be provided to ministries for approved restructuring efforts and for studies and institution building within selected entities. This aspect of the project is financed by the UK Department for International Development (DFID).

Emergency Education Rehabilitation and Development Project – US\$15 Million Grant

³ Is helping to rehabilitate university faculties and facilities, rehabilitate primary schools, support the Ministry of Education in developing education policy and institutional development plans, and establish a government intranet and global distance learning center. Special emphasis has been placed on increasing access to educational opportunities to girls. Achievements on the ground to date include:

Assistance to Higher Education Institute: A grant has been provided for the Institute of Polytechnic, the University of Education, and five faculties and dormitories of Kabul University and has been used mainly to improve student facilities including desks, chairs, windows, computers, and books. A committee consisting of the faculty, administrative staff, and students was formed at each location, deciding the priority activities to rehabilitate the institutions and improve the quality of education. A monitoring report is kept on the bulletin board to ensure transparency and accountability in the use of grants. A similar grant approach with greater focus on female enrollment has begun in higher education institutions outside Kabul. The selection process for the position of Chair of the university's newly established Women's Leadership Department has begun. Funds for the position are being provided by the World Bank President's Contingency Fund.

Rehabilitating Primary Schools with Community Participation: Grants for rehabilitation of approximately 100 primary schools in three provinces (Bamyan, Palwan, and Logar) will be provided, through NGOs, by the Ministry of Education. Physical rehabilitation of schools will be combined with teacher training and other educational inputs.

Support for the Ministry of Education at the Provincial Level: High frequency radio communication equipment has been provided to each of Afghanistan's 32 provincial education offices to improve their school monitoring activities and communications with the Ministry of Education in Kabul.

Support for Policy Development: Technical Assistance has been provided to the Ministry of Education and Ministry of Higher Education to develop a medium-term policy framework and to conduct a study on private sector involvement in higher education.

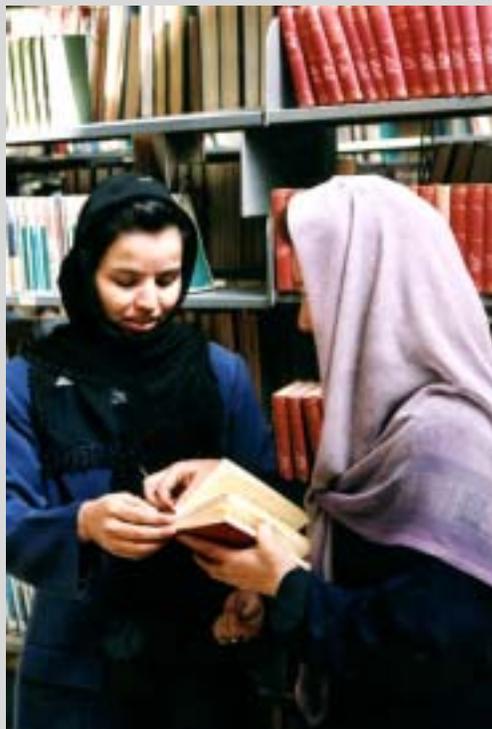
Kabul Distance Learning Center: The center has been established at the site of the Afghanistan Assistance Coordinating Authority (AACA). Its first international videoconference, held in mid-November 2002, connected experts in Tajikistan, Kazakhstan, Uzbekistan, and Washington, D.C., to discuss the region's economic development prospects. The center is now regularly used to facilitate the sharing of development knowledge between people in Afghanistan—from the high official to the grassroots level—and their counterparts around the world, through new information and communications technologies. The center is part of the World Bank-established Global



Afghanistan's once splendid Darlaman Palace, degraded by years of conflict and neglect



Women join in the English class at Kabul University



Women consult reference books in the Kabul University Library

Development Learning Network.

Government Internet Connectivity Project: Seven government agencies (Ministries of Finance, Rural Reconstruction and Development, Foreign Affairs, and Communication; the President's Office; the AACA; and the Central Bank) have been connected to the internet and have access to email for the first time in history. They are also connected to the Kabul Distance Learning Center.

Emergency Transport Rehabilitation Project – US\$108 Million Credit

- 3 · Will help remove key transport bottlenecks on an emergency basis, and also support the Government of Afghanistan's efforts to rehabilitate its highway and civil aviation programs. The work will improve physical access to goods, markets, and administrative and social services, all critical to Afghanistan's economic and social recovery.

Health Sector Emergency Reconstruction and Development Project – US\$59.6 Million Grant

- 3 · Will help expand delivery of high-impact basic health services and ensure equitable access, particularly for women and children in underserved rural areas. It will help increase the Ministry of Health's stewardship over the sector through a greater role in healthcare financing, coordination of partners, and oversight of NGOs. Achievements on the ground to date include:

Three NGOs, two Afghan and one international, have begun work in the southwestern provinces of Helmand, Farah, and Nimroze. These NGOs are already expanding the provision of services available in the community and are strengthening the first-level referral hospitals.

Emergency Communications Project – US\$22 Million Credit

- 3 · Will expand the government communications network through providing policy advice and developing the capacity of the Ministry of Communications and improving the delivery of postal services. Achievements on the ground to date include:

A \$14 million Government Communications Network has been launched and will build and operate a telephone and internet system for ministries and other key government organizations in Kabul as well as every provincial capital and other sites in the provinces.

Emergency Customs Modernization and Trade Facilitation Project –US\$31 Million Credit

- 3 · Will support Afghanistan's efforts to increase revenue from trade, reduce corruption, and prevent smuggling across its borders. The project will focus on development of physical infrastructure at border crossing stations, inland clearance depots, including the Kabul Inland Customs Depot, transit checkpoints, and customs facilities at Kabul airport. It will also support policy changes and strengthen the government's administration of the customs and transit systems, including improving communications and facilitating trade.

Emergency Irrigation Rehabilitation Project –US\$40 Million Credit

- 3 · Will help provide assured water supply at the farm-level through rehabilitation of the national irrigation system in priority locations in all five of Afghanistan's river basins.

Japan Social Development Fund (JSDF) – US\$27.7 Million Grants

- 3 · Grants to support community development and supplement the government's National Solidarity Program.

Japan Social Development Fund

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

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

World Bank Post-Conflict Fund

The PCF was established in 1997 to enhance the Bank's ability to quickly support countries in transition from conflict to sustainable peace and economic growth. The Fund makes grants to a wide range of partners (institutions, nongovernmental organizations, United Nations agencies, transitional authorities, governments, and other civil society institutions). Grants are focused on the restoration of the lives and livelihood of war-affected population.

National Emergency Employment Program (NEEP)– US\$20 Million Grant The Grant was provided to the ongoing NEEP to support its efforts to create employment opportunities. The JSDF grant will focus on helping former combatants reintegrate into society as a component of the broader Afghanistan New Beginnings Program (A Japanese-funded government initiative).

NGO Support Program – US\$2 Million Grant: Is enabling the Government of Afghanistan to grant funds to NGOs to help communities rebuild. Achievements to date include:

So far, 37 NGOs have been contracted to work with communities to support subprojects in irrigation, drinking water supply, road repair, school rehabilitation, and income-generation and literacy programs for women. A total of 23 subprojects have been completed.

The NGO support program was the first to provide a framework where the Government of Afghanistan and local NGOs could work together and has provided lessons on both how such a collaboration should be organized and the kind of constraints that need to be overcome for this collaboration to be replicated on a larger scale to the Ministry of Rural Rehabilitation and Development (MRRD).

The choice of project areas—Zabul, Shamali, Bamiyan, and Noristan—has demonstrated a commitment to ethnic equity, since these areas are inhabited by different ethnic groups, namely Pashtun, Tajik, Hazara, and Nuristani.

Capacity Building for National Solidarity Program – US\$1.5 Million Grant: Will develop capacity in the Ministry of Rehabilitation and Rural Development to implement the National Solidarity Program (NSP). The project will support ministry staff at the central and provincial levels to help them work with communities and manage the NSP. It will also contribute to the reconstruction of ministerial buildings damaged during the conflict.

Creating Future Potential Entrepreneurs: Targeting Youth – US\$2.98 Million Grant: Will improve the economic and social status of youth by preparing them for careers and helping them to generate income on a sustained basis. The program will work with boys and girls ages 12 to 28.

NGO Health Sector Emergency Rehabilitation – US\$500,000 Grant: The project is helping the Ministry of Health to work systematically with NGOs to ensure the delivery of basic health services such as immunization, maternal care, and family planning in underserved rural areas. The project is developing the capacity of the Ministry to coordinate the activities of the many NGOs and has so far resulted in expansion of health services in a way that avoids large gaps in services or duplication of efforts.

Capacity Building—First Microfinance Bank of Afghanistan – US\$650,000 Grant: Will help finance the deployment of a microfinance system and provide relevant training to staff of the Bank. By providing access to financing to micro and small businesses, it will support scarce income-generating activities in Afghanistan's post-conflict economy.

Post-Conflict Fund Grants – US\$4.3 Million

³ Grants offered to help assess needs, lay groundwork for projects, and provide training, particularly for women, in the areas of teaching and business administration.

Education for Afghan Refugees – US\$1.5 million: In May 2001, a \$1.5 million Post-Conflict Fund grant was approved by the World Bank for teacher training for Afghan Refugees from the Taliban regime. The projects were implemented by the Swedish, US, and German development agencies. The following is a breakdown of grant fund distribution.

Afghan Female Teachers In-service Training Center – \$300,000: Since operations began in October 2001, around 305 female teachers have been graduated from the course, which is designed to improve both teacher performance and average results of female students in standardized final examinations. With grant funding from the World Bank and six other donors, the Swedish Committee for Afghanistan established the center in



Teachers share a light moment on their way to school



A girl carries water to her family

Pakistan during the rule of the Taliban. In September 2002, the center was transferred to Kabul and is currently the only one of its kind operating in the country. The transfer has increased the available financial and human resources allowing for more teachers to be trained.

Afghanistan Refugee Village Teacher-training Program – \$300,000: With grant funding, Save the Children US developed a field-based, pre-service training course to train graduates of its schools in Balochistan, Pakistan, to become teachers. It also developed an in-service training module for practicing teachers in Afghan refugee village schools. The project officially started in March 2002, and by the end of 2002 had graduated 22 men and six women from the first pre-service training course and assigned them to schools to begin teaching.

Provision of Teacher Training for Afghan Refugees – \$930,000: By June 2003, the German Technical Cooperation agency (GTZ) had provided initial and follow-up training to 460 teachers (186 male, 274 female) identified as needing improved teaching skills. The program has so far covered 97 refugee schools in remote areas in Pakistan's North West Frontier Province. Approximately 12,500 students are expected to directly benefit from these activities. The program is also providing non-formal education, through literacy programs and home schools. As of June 2003, the program had provided non-formal education to 4,693 participants (2,410 males, 2,283 females) in both home schools and the literacy programs through 200 non-formal education courses. Local ownership of the program has been fostered through community mobilization activities.

Expanded Watching Brief: Enhancing Knowledge and Partnerships – \$365,000: The grant aims to provide analytical foundations for designing reconstruction and assistance programs as well as a means to continue building partnerships and coordinating assistance efforts in Afghanistan. It is financing economic and sector studies in areas of relevance to Afghanistan's reconstruction and development; conferences and workshops to build knowledge and consensus on reconstruction issues; and capacity development for Afghan individuals and NGOs. To date the grant has financed training for Afghan women through the Afghan Institute of Technology and Management. It has also financed initial work on an Afghanistan Human Development Report as well as a program of private sector partnerships. The grant is administered by UNDP.

Expanded Watching Brief: Reconstruction Strategy for Afghanistan with Afghan and other Stakeholders Participation – \$860,000: The grant, which is Bank managed, aims to support the broader reconstruction strategy for Afghanistan by bringing in Afghan and other expertise and facilitating Afghan participation in the reconstruction effort. It is providing quick response analytical inputs and expert advice in key areas of the reconstruction effort and is developing and maintaining a database of Afghan professionals currently outside Afghanistan who could contribute to future reconstruction efforts. In addition to the database, the grant has enabled expert advice to be provided to the Afghan authorities in areas such as budget preparation, civil service management, power sector reform, aid coordination, and cement industry reform.

AFGHANISTAN RECONSTRUCTION TRUST FUND

The multilateral Afghanistan Reconstruction Trust Fund (ARTF) was set up in May 2002 to provide support to Afghanistan for three main areas of expenditure: recurrent costs of the government, such as the salaries of teachers, health workers, and police; investments, including capacity building, feasibility studies, and technical assistance; and financing the return of expatriate Afghans.

Twenty-four donors have pledged \$524 million to the ARTF, and over \$410 million has been received. To date, over \$271 million has been disbursed to the Government of Afghanistan. The fund has emerged as one of the main instruments for financing the country's recurrent budget deficit and is set to evolve into a major source of technical assistance and investment support for Afghanistan.

The ARTF is jointly managed by the Asian Development Bank, Islamic Development Bank, United Nations Development Programme, and the World Bank.

The Afghanistan Reconstruction Trust Fund (ARTF)

The key principle guiding the ARTF is ownership and leadership of the government, which is essential for the effectiveness of reconstruction assistance. The ARTF supports a government-proposed program of activities prioritized from within the national budget.

The Fund is designed to:

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

Channeling support through the ARTF has helped the government to avoid addressing the distinct funding specifications of 22 different donors, allowing the assistance to be used more efficiently and effectively without the risk of duplication of work.

Following are grants allocated from the ARTF:

ARTF Microfinance Support for Poverty Reduction – US\$5 Million

Will assist the Government of Afghanistan in developing a sustainable microfinance sector under which poor people, particularly women, will have access to credit and other financial services, allowing them to invest in business opportunities, meet emergency needs, reduce vulnerability, and build assets. The grant was processed in June 2003, and so far, eight NGOs which also operate as Microfinance Institutions have qualified to on-lend funds and provide other services.

Rehabilitation of Telecommunications Systems – US\$3 Million

Will establish international connectivity between Afghanistan and other countries, particularly its neighbors. The funds will also begin investment to shift Afghan Telecom from a state-owned department to a corporation as a key step for future partnerships with the private sector.

Repair of Major Kabul City Roads and Water Drainage Systems – US\$3 Million

Will improve the transport services on important roads within Kabul city through the rehabilitation of high priority road sections, as well as the repair of drainage systems along these roads. The overall objective is to achieve a relatively fast, effective, and visible contribution to the economic recovery of Kabul. This project is the continuation of an ongoing German-funded project being implemented by Kreditanstalt für Wiederaufbau (KfW) in Kabul City.

All dollar figures are in US dollar equivalents.

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For more information, please visit:

The World Bank and Afghanistan: <http://www.worldbank.org/af>

The Afghanistan Reconstruction Trust Fund: <http://www.worldbank.org/artf>