

# The World Bank in Afghanistan

COUNTRY UPDATE

APRIL 2009



With the coming of spring, a farmer starts work on his farm in Kapisa Province.

*“Building the legitimacy, capacity, and credibility of the state is vital to foster peace and development in Afghanistan and needs to top the agenda of the international community,” said Ngozi Okonjo-Iweala, World Bank Managing Director at an international conference on Afghanistan in The Hague on March 31. “Legitimacy needs to be earned by delivering basic services to citizens. The first priority among basic services is security – so that people can begin to live something closer to a normal life. But security needs to go hand in hand with development and tangible improvement in the livelihoods of all Afghans. There have been remarkable successes in delivering public services in Afghanistan. They need to be built upon and scaled up.”*

## INTRODUCTION

Afghanistan will hold presidential and provincial council elections on 20 August 2009. The Independent Election Commission (IEC) decided on the date after consulting with Afghan and international security forces. While the Afghan Constitution stipulates that the elections should be held by May, officials have declared that this will not be possible as holding the polls in spring would mean organizing them during the harsh winter months when large parts of the country are inaccessible. The IEC’s Deputy Secretary, Zakaria Barakzai, has said that candidates can register between 25 April and 08 May; the final list of candidates will be released on 12 June.

On 31 March 2009, the Government of Afghanistan and the international community met in The Hague at the invitation of the Government of the Netherlands. They agreed that greater energy and clear direction must urgently be provided to ensure more effective support for the people of Afghanistan, for its security and prosperity as well as for its democratic and human rights. They acknowledged that greater attention must be given to achieving a well coordinated and strategically integrated approach. The participants underscored that important progress and achievements have been made in recent years. They agreed to expand on these achievements with clear priorities that must be set based on a strategic vision for the development of Afghanistan. The participants reaffirmed their commitment to a strong, long-term and mutual partnership, based on Afghan leadership. They reaffirmed their determination to fulfill the vision of a democratic, peaceful, pluralistic and prosperous state based on the Afghan Constitution and the principles of Islam, as set out in the Bonn Agreement of 2001, in the Afghanistan Compact of 2006 and in the Paris Declaration of 2008.

On 18 March, after a month long debate, Wolesi Jirga approved the national budget for the new fiscal year SY1388 (2009-10) with a total outlay of \$US2.9 billion. Of this, US\$1.1 billion has been projected for development budget and US\$1.8 billion for operating budget. Although some MPs termed the development budget imbalanced and called for its rejection, they failed to get a majority. Of the 127 members present in the house of 240, 73 approved the budget while 42 rejected it.

On 11 March members of the regional Economic Cooperation Organization (ECO) concluded a summit in Tehran by urging the rapid rebuilding of violence-wracked Afghanistan. The one-day summit of ECO — a regional organization founded in 1985 by Iran, Pakistan and Turkey — focused on the global financial crisis and its impact on the region. It was attended by Afghan President Karzai, his Pakistani counterpart Asif Ali Zardari and Turkish President Abdullah Gul, along with leaders of other member countries such as Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Karzai urged

## **The Hague Conference: priorities for Afghanistan**

**Promoting good governance:** To accelerate efforts to improve governance and strengthen institutions, participants at the conference agreed to:

- Give firm support to the preparing and holding of elections that are secure, transparent, fair and credible, so as to enjoy the confidence of the Afghan people and to consolidate democracy in Afghanistan. The participants underscored the importance of the broadest possible participation of women and men.

- Strengthen Afghanistan's national, provincial and local government institutions. They will provide adequate personnel and financial resources for ambitious nationwide programmes for training and technical assistance

- Assist Afghan Government institutions in promoting transparency, increasing accountability and merit-based appointments as well as intensifying the fight against corruption at every level. They committed to strengthening an independent judiciary and the rule of law.

### **Accelerating economic growth and development: To generate economic growth:**

- Review aid programmes and set clearer priorities based on the Afghan National Development Strategy, reduce dependency on expensive foreign contractors, and ensure equitable development gains across the country. They agreed to continue support to successful national programmes such as the National Solidarity Programme.

- Support a national strategy to expand agriculture production, improve capacity to market and process agricultural goods, and increase employment.

- Expand higher and vocational education to create jobs and meet projected requirements for skills in key sectors, such as mining, construction and engineering. They agreed to build private sector capacity to produce and trade goods domestically and internationally, and bolster micro-enterprise programmes.

- Improve irrigation and water management, transportation networks and energy utilities to underpin growth.

- Expand efforts to ensure that women are more fully integrated into assistance programmes in recognition of the need for Afghanistan to mobilize its entire population in the development of the country.

**Strengthen security:** To reinforce the fight against terrorism, they agreed to:

- Increase rapidly the actual size and capability of the Afghan National Security Forces enabling them to gradually take the lead in fighting terrorism and provide security for the Afghan people.

ECO members to help Kabul fight drug smuggling. "I have to accept the bitter truth that my country is the centre of opium production," he said. "The people of Afghanistan are the true victims of terrorism and there is a direct link between drug smuggling and terrorism. We want the members to help us in combating them."

On 5 Feb, UN Secretary General Ban Ki-Moon declared Afghanistan a priority for the United Nations in 2009, and extended full backing in a quest for democracy and security ahead of key elections. Ban was in Kabul on a surprise day long visit. "For the United Nations, Afghanistan will be a priority in 2009," Ban said at a joint news conference with President Karzai. "I am here to demonstrate and to convey my strong commitment and support for peace and stability for... Afghanistan's people," he said.

## **WORLD BANK SUPPORT**

Since April 2002, the World Bank has committed over US\$1.72 billion for 41 development and emergency reconstruction projects and three budget support operations in Afghanistan. This support comprises over US\$1.28 billion in grants and US\$436.4 million in no-interest loans - known as "credits." Currently, the Bank has 27 active projects in Afghanistan with net commitments of over US\$1 billion. So far, a number of Bank-financed projects have been completed which include the rehabilitation of education, emergency public works, the reconstruction of infrastructure, emergency transport rehabilitation, and the first phase of a public administration project as well as three budget support operations.

The Afghanistan Reconstruction Trust Fund (ARTF) is administered by the World Bank on behalf of 31 donors and managed in conjunction with the Asian Development Bank, Islamic Development Bank, United Nations Assistance Mission for Afghanistan, and the United Nations Development Program. It is the main mechanism for providing coordinated funding support to Afghanistan's recurrent budget and investments, in line with the agreed budget priorities of the government. As of February 18, 2009, 31 donors had pledged over US\$3 billion to ARTF, of which US\$2.9 billion has been received so far. More than US\$1.6 billion has been disbursed to the Government of Afghanistan to help cover recurrent costs, such as civil servants' salaries, and over US\$1 billion 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 March 30, 2009, Japanese contributions to ongoing JSDF projects reached US\$36.7 million.

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

### **The Hague Conference: priorities for Afghanistan (continued)**

- Integrate existing counter-narcotics programmes more closely into broader strategies for improved governance, economic development and stability. They will further strengthen support aimed at increasing poppy free provinces.
- Strengthen Afghanistan's border security by intensifying cooperation among Afghan National Security Forces, NATO/ISAF and regional partners, and thereby countering illegal trafficking in arms and drugs.

**Expand regional cooperation:** To make the fight against terrorism more effective and to better use the potential for cooperation among all countries in the region, they emphasized the need to:

- Eliminate sanctuaries for Al Qaeda and other terrorist networks in the region.
- Develop among Afghanistan, Pakistan and NATO/ISAF, operating within its current mandate, a comprehensive security strategy, consistent with the sovereignty and territorial integrity of both countries.
- Improve the security and integrity of national borders by working with governments in the region to strengthen cooperation on law enforcement, counter-narcotics efforts and customs policies.
- Set clearer and common priorities for infrastructure projects in the region and provide assistance for their implementation. In this respect, cooperate more closely on expanding and integrating regional electricity, water and transportation networks.
- Promote regional trade and improve customs and trade and transit agreements.
- Make better use of regional expertise to build capacity in key economic sectors, such as agriculture and education.
- Support the Friends of Democratic Pakistan and the Pakistan Donors Conference Meeting in Tokyo on 17 April to demonstrate strong support for Pakistan, whose partnership is also critical to achieving our common goals in Afghanistan.
- Welcome the increased attention given to Afghanistan and the regional context as exemplified by conferences in Tehran, Moscow, The Hague, Islamabad and Trieste as important steps in enhancing development and in fighting terrorism, drug trafficking and transboundary organised crime.

In March 2009, the World Bank organized a series of consultations with the Government of Afghanistan, and representatives from civil society organizations (CSOs), nongovernmental organizations (NGOs) and private sector organizations about developing a new World Bank Interim Strategy Note for Afghanistan. The new strategy will identify areas for World Bank support in Afghanistan over the coming two years. The World Bank's Board of Executive Directors is expected to discuss the new strategy in early June 2009.

### **STATUS OF ONGOING OPERATIONS**

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

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

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

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

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



Children fetch water from a hand pump, being built through a NSP block grant in a village on the suburbs of Kabul Province.

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

**Emergency National Solidarity Project (NSP) (US\$306 million Grant, and US\$518 million ARTF Grant):** This is the Government of Afghanistan's flagship program to support small-scale reconstruction and development activities identified by local Community Development Councils (CDCs) across the country. The World Bank is the one of the main sources of financing for the NSP. Other sources include the ARTF, the JSDF, and several bilateral contributors. Between early-May 2003 and March 2009, the NSP has reached over 19 million Afghans. approximately 22,102 communities have been mobilized, while 21,777 communities have successfully elected Community Development Councils (CDCs). These CDCs are established through the assistance of 29 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 47,498 community subprojects had been partially or fully financed, of which some 26,170 subprojects have been completed. About 80 percent of the community subprojects involve infrastructure such as irrigation, rural roads, electrification, and drinking water supply, all critical for the recovery of the rural economy, stability, and governance. The community subprojects financed under the NSP focus on social and economic infrastructure and are based on the priorities of the rural population. Of the currently funded community subprojects, 24 percent address water and sanitation issues, 16 percent rehabilitate irrigation systems, 24 percent improve transportation infrastructure (e.g. roads, bridges), 15 percent provide energy (e.g. micro-hydro, solar energy), 5 percent improve livelihoods and income-generation, 14 percent work on education infrastructure, and 2 percent go towards other investments. The NSP is active in 359 of Afghanistan's 364 districts and all of Afghanistan's 34 provinces. As of 05 March 2009, over US\$572 million of block grants had been disbursed to CDCs.

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

**National Emergency Rural Access Program (NERAP)**

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

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

The World Bank continues to support the government's rural access program. Following from the recently completed National Emergency Employment Program for Rural Access project (NEEPR), the Bank, on December 13, 2007 approved a grant of US\$112 million for the National Emergency Rural Access Project. The government has agreed to co-finance the project to the tune of US\$50.3 million either through



The Imam Sahib- Amu river road (12KM) has been rehabilitated under NERAP in northeastern Kunduz Province.



A woman receives credit from a microfinance institution in eastern Nangarhar Province.



Young girl attends school in southern Kandahar Province.

its own resources or from other donors. 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. The project proposes to rehabilitate over 2000 km of rural roads and some 9000 meters of drainage structures. As of December 20, 2008, 134 subprojects costing US\$39.5 million had been awarded, while 49 subprojects are in various stages of procurement. Survey and design activities on a number of roads are in full swing.

**Expanding Microfinance Outreach and Improving Sustainability Project (US\$30 million Grant and US\$183.3 million ARTF Grant):** The project aims to assist the government in developing a sustainable microfinance sector that will provide flexible, convenient, and affordable financial services to poor people. The goal is to build an integrated financial sector and remove the barriers that separate microfinance from the broader mainstream financial system. Since its inception in 2003, the project has provided more than US\$134.14 million in funds, including US\$95.5 million in loans. There are now 16 microfinance institutions (MFIs), with a network of over 281 branches in 24 provinces, and more than 440,000 savings and loan clients. To date, the program has disbursed a total of 1.3 million loans across Afghanistan worth US\$569.9 million. As of March 2009, the gross loans outstanding were US\$104.3 million. Sixty-two percent of the clients are women, and the loan repayment rate is 95 percent. The sector now employs 4,825 people; approximately 1,900 of whom are women, and over 90 percent of professional positions and 50 percent of management positions in the sector are occupied by Afghans. According to findings of the Baseline/ Impact study of the microfinance sector conducted in 2007, each MFI loan supports or creates 1.5 employment opportunities, therefore more than 650,000 current jobs in Afghanistan are attributable to microfinance and many more have received support over the years. The project is also expanding in the seven poppy-growing provinces identified by the government to provide alternative livelihood opportunities to poppy-growing farmers. Despite increasing security costs, two of MISFA's MFI partners have achieved operational surpluses before even reaching five years of operation. More information is available at <http://www.misfa.org.af>.

**The Education Quality Improvement Program (EQUIP) consists of two projects: 1) EQUIP I (US\$35 million IDA Grant and US\$44 million ARTF Grant) started in August 2004; and 2) EQUIP II (US\$30 million IDA Grant and US\$171.74 million ARTF Grant) which was launched in May 2008.** The program provides district-based teacher training and grants directly to communities nationwide. EQUIP is fully aligned to the Ministry of Education's National Education Strategic Plan (NESP 1385-1389) and enjoys multi-donor support from the Afghanistan Reconstruction Trust Fund (ARTF). Funds are used directly by communities through School Shuras for the rehabilitation or construction of school buildings and for accessing quality inputs, such as teaching and learning materials. The School Shuras are functioning in all provinces, and, as of now, 8,114 out of 11,000 schools have these Shuras. Shuras are assisted by the Provincial Education Departments, NGOs and District Educational Departments in all 34 provinces. EQUIP II supports the District Teacher Training Program in 23 provinces (the 11 other provinces are supported by the USAID), regional allowance for 730 TTC lecturers as well as scholarships for 2750 girls to attend Teacher Training Colleges for two years and join the teaching force in their local communities. It also supports the monitoring and evaluation of NESP (National Education Strategic Plan) programs including the now established Education Management Information System at the Ministry of Education. In December 2007, the MOE successfully



A school building under construction in Kabul Province, financed through an EQUIP block grant.

completed the school survey of Solar Year 1386. Updated survey data can be found on the MOE website. It is envisaged that by the close of the two projects in 2012, some 1,575 schools would have been built with a priority on girls' schools; 8,114 School Shuras formed and active, and 2886 more Shuras to be formed; over 110,000 teachers and around 9000 school administrators trained; and 2750 girls in 25 provinces receiving scholarships and completing their two-year studies at TTC and joining the teaching force and 750 qualified lecturers recruited in 18 provinces.

**Strengthening Higher Education Program (US\$40 million Grant and US\$32 million ARTF Grant):** The program aims to progressively restore basic operations at six core universities in Afghanistan — Kabul Polytechnic University, Kabul University, and four regional universities (Balkh, Herat, Kandahar, and Nangarhar) — through partnership programs with universities in the region and in the West, as well as through competitive block grants. Funds will also be provided to set up an institutional base to develop an agenda for tertiary education, capacity building and reform. The program is 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 are: 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. The usage of block grants to procure books, teaching materials, and IT equipment, and to rehabilitate libraries and classrooms and equip laboratories is continuing.

Recently, the ARTF Management Committee approved an additional US\$32 million to support the construction of faculty buildings, libraries, and gymnasiums, as well as to develop master plans and other activities to improve academic delivery in the universities of Balkh, Kandahar, Nangarhar, and Kabul Polytechnic. The first phase of the ARTF funded activities is currently underway i.e. either contracted or concluding the procurement process. This phase provides for US\$5 million in the framework of a Development Grant Agreement (DGA), which essentially covers the design consultancy and construction supervision of the buildings.

**Afghanistan Skills Development Project (US\$20 million Grant and US\$18 million ARTF):** The project is designed to increase the number of skilled Afghans and create a high-quality technical vocational education and training system that is equitable, market responsive, and cost-effective. More specifically, the project will develop a demand-driven vocational education and training system, and give training institutions autonomy to plan and customize their programs and establish partnerships with experienced national and international training providers.

The proposed project will: (i) Develop a regulatory and quality assurance framework for vocational education and training; (ii) Improve the relevance, quality and efficiency of vocational education and training programs; (iii) Link skills development and market demand, with a



New building for Theology faculty of Nangahar University under construction.



A doctor provides an injection to a child in a district clinic in northern Parwan Province.



A doctor examines an elderly man in Balkh district clinic in northern Balkh Province.

special focus on rural areas; and (iv) Support monitoring and evaluation. Preliminary work, under component (i), for creating an authority for Afghan National Qualification Framework (ANQF) has been initiated. Under component II of this project a National Institute of Management and Administration (NIMA) has been established in which 2500 students are receiving their trainings. Under component III, the process for youth development, training and support of marginalized formers and chronically poor women, by contracting it to consultancy firms, has been initiated. The project involves the three key public sector ministries engaged in education and training — the Ministry of Education (MoE), Ministry of Higher Education (MoHE), and the Ministry of Labor, Social Affairs, Martyrs and Disabled (MoLSAMD) — with a specific focus on MoE and MoLSAMD. The Government of Norway and USAID are co-financing the project in the amount of USD 6 million by USAID and 9 million by Norway. The project will be undertaken over a period of 5 years, from March 2008 to February 2013.

**The Health Sector Emergency Reconstruction and Development Project (US\$120 million Grant):** The project is helping to expand delivery of high-impact basic health services and ensure equitable access, particularly for women and children, in under-served rural areas. It has contributed to ensuring that 85 percent of the population has access to primary health care. Independent evaluation indicates that the quality of care has improved 21 percent from 2004 to 2008 and the number of patients served has more than tripled. An independent survey conducted in 2006 indicates that, in 2006, the under-5 mortality rate in Afghanistan declined from an estimated 257 per 1,000 live births in 2001 to about 191 per 1,000. This means that about 80,000 fewer children are dying each year now, compared to during the Taliban rule. Use of family planning has increased from 5 percent in 2003 to 15 percent in 2006, and the proportion of pregnant women receiving prenatal care has increased from 5 percent to 32 percent over the same period. The project has also helped ensure the Ministry of Public Health's (MOPH) stewardship over the sector through a greater role in healthcare financing, the coordination of partners and oversight of NGOs.

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

On March 24, the World Bank Board of Executive Directors approved a US\$30 million grant to support Afghanistan's Strengthening Health Activities for Rural Poor (SHARP). SHARP aims to improve the health and nutritional status of Afghans, focusing especially on women and children and under-served areas of the country. More specifically the project supports Afghanistan's Health and Nutrition Sector Strategy (HNSS), which is the blueprint for the government's health sector program for the period 2008-2013. Under the HNSS, the government aims to expand coverage of the Basic Package of Health Services (BPHS) to at least 90 percent of the population by 2010.

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

Since its approval in July 2007, the project has contributed to strengthening the capacity of the National Aids Control Program (NACP) through (i) recruitment of seven national advisors and one international advisor; (ii) participation of NACP staff in national/international training activities; and (iii) exposure of NACP staff to well performing HIV/AIDS programs abroad. The increased capacity of NACP has resulted in the adoption of the Afghanistan HIV Code of Ethics, an important milestone for the support and protection of people living with HIV/AIDS in the country. To achieve its objectives, the NACP has signed 10 contracts with national and international organizations, and the harm reduction activities have been initiated. The surveys in most-at-risk groups have started in early 2009.

**Avian Influenza Control and Human Pandemic Preparedness and Response Project (US\$8 million Grant and US\$5 million Avian and Human Influenza (AHI) Facility)** is designed to prevent the spread of avian influenza to humans, and develop and implement HPAI (Highly Pathogenic Avian Influenza) prevention, containment, control, and eradication activities in the livestock sector. It supports a national program to raise public awareness through strategic communication. The United Nation's Food and Agriculture Organization (FAO) has been selected as the facilitating partner for the Animal Health component and the contracting process has been finalized. In the Animal Health component, FAO plays a key role in training, simulations, review of old legislation, and other activities. FAO is continuing its training of emergency response teams in rapid detection, surveillance and control of avian flu, as well as work on relevant legislation. Also under the Animal Health component, poultry vaccination campaigns have been conducted covering semi-commercial farms in high-risk areas. The World Health Organization (WHO) is the facilitating partner for the Human Health component and play a similar role as FAO although.. The Emergency Preparedness and Response Unit has been formally included in the Ministry of Public Health's revised organization structure. The disease surveillance system is functional and submits weekly reports. The comprehensive communication strategy prepared with UNICEF's assistance is under implementation and activities such as awareness building, media training workshops, and awareness campaigns for school children are ongoing. A two-monthly newsletter on avian flu is issued regularly.

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

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

Afghanistan now has approximately 8 million fixed and mobile telecommunication subscribers. Consequently, telephone subscriptions are equivalent to about 32% of the population. Moreover, the mobile telephony market is quite competitive, with four GSM-based networks and one CDMA-based network operating across the country and covering an estimated 75% of the population. About US\$ 1.2 billion has been invested in the sector and is expected to reach US\$ 1.5 billion by 2010. Approximately 15 percent of government revenues accrue from the telecommunications sector. The sector — directly and indirectly — employs about 60,000 Afghans. Meanwhile, Afghan Telecom has become a full-fledged corporation, and its privatization is expected to be completed this year. In the area of postal sector development, Afghan Post has introduced new services, such as Express Mail Service. Its revenues over the last three years have increased consistently, and Afghan Post has received permission from the Central Bank to provide financial services as well.

**The Emergency Customs Modernization and Trade Facilitation Project (US\$31 million Credit)** is supporting Afghanistan's efforts to increase customs revenue, reduce transport-related trade costs, stimulate trade, reduce corruption, and streamline



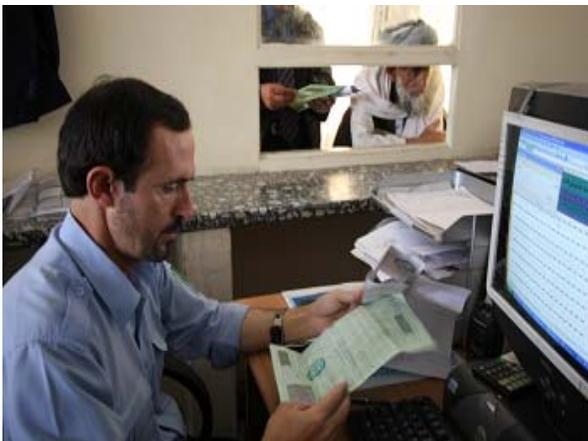
A custom border official inspects a consignment at the Kabul Inland Clearing Depot.

border procedures. The project has achieved substantial progress in the areas of automation, communications, infrastructure, core customs technical assistance, trade facilitation, and standards and metrology.

The project has surpassed most of the targets set at the outset. Customs revenue is projected to increase from US\$50 million in March 2002 (Solar Year 1381) to US\$361 million by the end of March 2009 (Solar Year 1387), demonstrating an increase of over 600 percent. This is largely due to computerized control over transit shipments, tighter control over clearance, an increase in the effective rate of tariffs, and the progressive integration of informal trade into the formal domain. Trade volume is also projected to increase substantially, from US\$ 2 billion at the start of the project to US\$4.43 billion by March 2009. Truck release times have dropped dramatically with 91 percent of trucks being cleared in less than 90 minutes, the time targeted by the project. Since the implementation of an Automated System for Customs Data (ASYCUDA), the transit system at Towrkham-Jalalabad-Kabul, Islamqalae-Herat-Kabul, Hairatan-Mazar-Kabul, and Torghundi-Herat-Kabul axes, more than 735,000 transit forms have been issued and more than US\$13 million collected as transit fees as of March 25, 2009. The implementation of the transit system is planned to be extended to Sher Khan Bandar, Akina and Zaranj within 2009. Similarly more than 55,000 electronic import/export declarations have been filed by traders at Kabul Inland Clearing Depot since the launch of the ASYCUDA Declaration Processing System (DPS). The full DPS system has also been launched at Jalalabad ICD and will be rolled out to Herat ICD by the early April 2009. Rehabilitation/construction of key infrastructure has been satisfactory with more than 60 facilities rehabilitated, constructed, or functionally improved. These include the main headquarters building for Customs and Revenue in Kabul, Jalalabad Inland Customs Depot buildings, truck parking and allied infrastructure. As part of the project, the Afghan Customs Department (ACD) prepared its Five-Year Plan and presented it to development agencies for their support.

The National Trade and Transit facilitation committee (AFPRO) held its 5<sup>th</sup> General Assembly and established 4 working groups: AFPRO by-laws, Trade Facilitation, Transit & Freight Forwarding, and Trade Services to provide advice on trade and transit issues. A WTO self assessment workshop was also held in March 2009 with wide participation from stakeholders. Good progress was shown in modernizing communication systems of the ACD with VHF and HF radios installed at 20 sites and 12 VSAT VPN installed at Kabul HQ, Kabul Airport, Jalalabad ICD, Torkum, Herat, Islamqala, Heiratan & Mazar-e-Sharif and Torghundi. The Afghan National Standards Authority (ANSA) was approved as an independent government organization, and it has already prepared projects for the procurement of Fuel Testing Lab, Food Testing Lab, and Metrology Testing Lab, currently being processed for international bidding.

A draft of a new Afghan-Pakistan Transit Trade Agreement (APTA) has been discussed in the recent 7<sup>th</sup> Joint Economic Commission (JEC) meeting between the two countries. Negotiations have officially begun with an aim to finalize the agreement within 6 months. First round of the Pakistan side private sector meetings on APTA were successfully conducted on January 12, 2009 in Islamabad while the Afghan side private sector meetings are currently being planned. The project also supported an introductory/sensitization workshop on APTA for the official nominees of the Joint Working Group (JWG) as constituted by the JEC. Substantial progress has been made in the training and capacity building of customs staff, with more than 950 staff participating in 59 courses on various subjects. The training was conducted by the



Customs official using Automated System for Customs Data (ASYCUDA) in Kabul customs department.



An irrigation wire for water conversion is being rehabilitated in Logar Province under the World Bank's Emergency Irrigation Rehabilitation project.

Customs Training Unit established under the project. Based on a request from the government, the Bank has initiated work on preparing two financing arrangements: (i) an additional grant to cover the funds for bridge financing given by the Government; and (ii) a new follow-on project for Customs focusing primarily on governance issues contingent upon the Government's undertaking a concrete program of customs reform that address the governance issues in the sector.

**The Emergency Irrigation Rehabilitation Project (US\$40 million Credit, US\$53 million Grant and US\$6 million Government Fund):** The project is helping to provide water to farms in the project areas, with more reliable and equitable distribution of irrigation water. The rehabilitation of the national irrigation system in all five river basins of Afghanistan will help increase agricultural productivity and farm income, improve food security and livelihoods, and reduce vulnerability due to droughts. To date, six regional offices in Kabul, Jalalabad, Kandahar, Balkh, Kunduz, and Herat have been established to develop institutional capacity at the local level. As of February 28, 2009, 726 subproject proposals, costing about US\$ 71.3 million, had been prepared. Of these, 683 subprojects totaling US\$ 63.19 million have been approved; contracts for 661 subprojects worth US\$48.03 million are ongoing; and 589 subprojects worth US\$ 38.61 million have been completed. In addition, the first phase under the contract for emergency repair of the Band-e-Sultan Dam, costing about US\$500,000, has been completed. The work under the Feasibility Study of the Lower Kokcha Irrigation and Hydropower Multipurpose Project on the Kokcha River in the Amu River Basin was also completed. Further development options are proposed to be studied. Installations of 68 of the 174 hydrology stations in different part of the country are complete and installations of the remaining stations are ongoing.

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

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

**Kabul Urban Reconstruction Project (US\$25 million Credit and US\$5.6 million ARTF Grant):** The project supports the reconstruction and rehabilitation of 19 of Kabul's most vulnerable neighborhoods where the majority of the urban poor live in informal settlements, including four neighborhoods in the Old City of Kabul. The objective is to assist approximately 100,000 residents in gaining access to basic services such as water, sanitation, and solid waste management, and in obtaining secure land tenure. These measures will help to mend the urban fabric of this important city that is struggling to accommodate thousands of returnees. Building capacity in both the Ministry of Urban



Children at an informal hillside settlement in Kabul fetch water. (Photo by: Pajhwok Afghan News)

Development and the Kabul Municipality are critical components of the project. The project uses a community-based methodology to determine, plan, and implement service delivery in targeted neighborhoods. Thus far, the community consultation and engineering design for the supply of services is completed or underway in 16 neighborhoods. Work has started in 12 and is complete in two neighborhoods.

**The Emergency Power Rehabilitation Project (US\$105 million Credit and US\$20 million ARTF Grant):** The project aims to provide improved and more reliable supply of electricity to the residents of Kabul through the rehabilitation and expansion of city distribution networks; connection of the future North East Transmission System to the Kabul city grid to allow the import of lower cost power to Kabul; rehabilitation of the 100 MW Naghlu Hydropower Plant (the largest hydro generation station in Afghanistan which supplies power to Kabul) and the associated transmission line; and the restructuring and commercialization of the power utility to improve service delivery. The project is progressing well. The work supported under this project, to link Kabul with the North East Power Transmission System to receive power from Uzbekistan and rehabilitation of 110 kV line getting power from Naghlu and Mahipar Hydropower Plants to the city grid are now complete and serving the people of Kabul. This has helped in providing much better power supply from January, 2009 and substitute expensive diesel power generation in Kabul. The quantum of power from Central Asian countries (Uzbekistan and Tajikistan) would increase in future. The transition to more efficient and consumer responsive power utility is progressing, though at a slower pace.

**Urban Water Sector Project (US\$40 million Grant):** The project aims to initiate actions to: (i) transform the Central Authority for Water Supply and Sewerage (CAWSS) into a technically viable operation; (ii) establish the financial sustainability of the Afghan Urban Water Supply and Sanitation Company (AUWSSC, CAWSS' successor); (iii) increase access to and reliability of the water supply service in Kabul; (iv) and, prepare a follow-up project under which more substantial institutional and financial objectives can be achieved and coverage further expanded in Kabul and provincial towns. To achieve these objectives, the project includes three main components: (i) institutional development of AUWSSC; (ii) financial support to AUWSSC operations; (iii) and, an extension of the Kabul water supply system. The project is financed in parallel by the German Development Cooperation Agencies (KfW and GTZ). Following the announcement of the sector policy and institutional development plan in October 2005, a Presidential decree to corporatize CAWSS was issued in January 2006. The 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 recruitment of the management team is underway, and a Liquidation Committee is currently assessing the assets and liabilities of CAWSS. The Government has requested for restructuring of the project to include part of the Short-Term Program of Kabul water supply which was earlier planned under the ARTF financed project. The project description will undergo some changes. Meanwhile, bids have been invited for the water distribution network, the only investment program to be financed by the Project, and are to be received in May 2009. Procurement of consulting services contracts are under process and it is likely to be completed by July/August 2009.

**Emergency Horticulture and Livestock Project (HLP) (US\$20 million IDA Grant and US\$11 million ARTF Grant):** The project seeks to stimulate the marketable output of perennial horticulture and livestock. It would improve incentives for private investments and contribute to strengthening institutional capacity in the subsectors. The project is also expected to make a positive contribution to the government's counter-narcotics agenda. This multi-donor investment — with an estimated cost of US\$50 million— represents the first slice of a long-term program that will unfold over the coming decade to support the horticulture and livestock subsectors nationwide. The project supports the rehabilitation of orchards and the development of new ones in select project areas in line with the strategy of the Ministry of Agriculture, Irrigation and Livestock (MAIL). Orchard rehabilitation activities have so far begun on approximately 2,000 hectares (ha); the first planting of new orchards — grapes, apricots, almonds and pomegranates — is planned for the spring of 2009 over about 700 ha. The Food and Agriculture Organization (FAO) is the facilitating partner for Integrated Pest Management (IPM) and is working along with the facilitating partner for the horticulture component. Livestock development and animal health activities supported by the project are also moving ahead. The Afghanistan Veterinary Association (AVA) is the facilitating partner for the animal health component, and FAO is performing the same role for semi-intensive poultry development. The poultry component will help about 20,000 poor rural women enhance their incomes from rural backyard small-holder poultry production activities. A liquid nitrogen production plant will be established to support artificial insemination activities to improve breeds. Project activities will be carried out more intensively in one focus district in each of the ten provinces where the project is operating. In these locations, farmers' needs will be addressed more comprehensively and a replicable model will be developed for implementation in other areas as well.

**Sustainable Development of Natural Resources Project (US\$30 million Grant):** The project supports measures to enhance regulatory capacity, foster private sector development and adherence to international standards. This project is supporting the government to help ensure that the revenues from these valuable resources are available to the country as a whole and are transparently managed. Among the approaches the government will use to manage the sector is the Extractive Industries Transparency Initiative — a set of principles that supports sector governance via the full publication and verification of company payments and government revenues from oil, gas, and mining. In addition, an International Advisory Council has been established to assist the government in evaluating the strengths and benefits of contracts to ensure that best practices are applied in for Afghanistan in developing its natural resources.

This project is currently under execution. A project management unit has been established within the Ministry of Mines to assist in the implementation of the project. A number of contracts are underway, including those of senior advisors in mining and environmental management, drafting of mining regulations, cadastre management services, geological survey support and



View of the construction work at the Hesar Shahi industrial park near Jalalabad city in eastern Nangarhar Province.

logistical and material support to the ministry. The project is also assisting the government to complete the final contractual elements for the development of the Aynak copper deposit.

**Private Sector Development (PSD) Support Project (US\$25 million Grant):** The project aims to stimulate the local economy by generating employment, create income and alleviate poverty. It helps create an economic enclave for businesses operating in both the domestic and export markets. The project supports: (i) constructing an industrial park at Hesar-i-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 Department (PSDD) of Ministry of Commerce and Industries (MoCI) to design PSD related policies.

Currently the construction work of the industrial park is in progress and about 50% work has been completed. The park is expected to be operational by early 2011. The capacity of IPDD is substantially created in financial management, procurement, environmental and social management, project supervision and it is near to achieving the ability to implement projects independently. Similarly, a number of staffs in PSD department of MoCI are trained to improve their capacity in policy analysis. Once the project is fully implemented, it is expected to generate 6,000 jobs in Afghanistan.

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

**Afghanistan Food Crisis Response Project (US\$8 million):** The Bank's new Global Food Crisis Response Program provides this assistance for the rehabilitation of approximately 500 small irrigation schemes – of which 191 have thus far been financed - critical to the recovery of the country's agriculture. The project also builds community capacity to implement and maintain irrigation sector projects that address community needs. This additional funding for community irrigation brings to approximately 6,000 the number of small irrigation schemes supported by the Bank since 2002. The Bank has also provided nearly US\$100 million for the rehabilitation of medium-size irrigation systems. While the Bank's support has been aimed at the medium-term investments needed to increase food security over time, the institution is also working closely with Afghanistan's other development partners and relief agencies to support the country in the current food crisis by addressing immediate shortfalls.

**JSDF US\$36.7 million Grant to support innovative post-conflict projects:** Ongoing projects include:

**National Emergency Employment Program for Demobilization, Disarmament and Reintegration, and Rural Livelihood Support (NEEP/DDR/RLS) (US\$19.6 million Grant):** The grant was provided to the ongoing NEEP program to support its efforts to create employment opportunities for ex-combatants in order to facilitate their re-integration

### Japan Social Development Fund

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

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



Students learn plumbing at a vocational training centre in Kabul.

### The Afghanistan Reconstruction Trust Fund

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.

into society and contribute to the government's alternative livelihood program in opium poppy producing areas. The JSDF grant focuses on helping former combatants re-integrate into society and is a component of the broader Afghanistan New Beginnings Program (a Japanese-funded government initiative). The emphasis of the program is on developing skills that can provide access to long-term employment. The grant is being implemented by the Ministry of Rural Rehabilitation and Development (MRRD) through the United Nations Office for Project Services (UNOPS), with distinct training and road rehabilitation components, which are interlinked. The closing date of the project has been extended from March 2008 to December 30, 2008. The extension is mainly to cover the liability period for some road projects. As of December 15, 2008, 3,801 ex-combatants and rural poor had completed their work-based training in road and crafts constructions, combined with academic training at vocational institutions. This number includes 57 specialized technicians who have completed four-month technician courses at two universities in Kabul and Kandahar. An estimated 90 percent of these graduates in crafts skills are employed in and outside of the Reintegration and Alternative Livelihoods (RAL) construction projects. The projects have rehabilitated 349 km of roads in 13 provinces, and a total of 1.6 million labor days have been generated.

### Creating Future Potential Entrepreneurs: Targeting Youth (US\$2.98 million Grant):

The project aimed at improving and promoting the social and economic status of youth in four major cities of Afghanistan (Kabul, Mazar, Faryab, and Kandahar) in order to prepare them for lifelong careers and to enable them to generate or earn income on a sustained basis. The program has trained boys and girls aged 12 to 28. Over 4,273 young boys and girls have so far been trained in vocational skills by three local NGOs: ASCHINA, ADA, and HAW. About 80 percent of those who have graduated from this program are now successfully running their own small businesses. Construction of four youth centers in Faryab, Kandahar, Kabul, and Mazar has been completed. Operational plans for these centers have been developed and approved by the Ministry of Labor and Social Affairs. The center in Kabul is functioning fully and providing short term vocational skills for young people; the other three centers are in the process of being fully equipped and staffed to provide vocational training as well as other services for the youth such as employment counseling, support for setting up small businesses, and various advocacy programs. The project was completed at the end of February 2009 and a project Implementation Completion Report is due shortly.

### AFGHANISTAN RECONSTRUCTION TRUST FUND

The multilateral Afghanistan Reconstruction Trust Fund (ARTF) was set up in May 2002 to provide critical financial support to Afghanistan. The fund has two windows: the recurrent window channels funding for the recurrent costs of government, including salaries for teachers, health workers, and civilian staff throughout the country. The investment window channels funding for investment projects as per the ANDS sector: such as agriculture and rural development, Justice, private sector development, capacity development, education, urban development, transport and energy.

The ARTF is administered by the World Bank under the supervision of a Management Committee (MC) comprising of the Asian Development Bank, the Islamic Development Bank, the United Nations Development Program, and the World Bank. Government representatives (mainly from the Ministry of Finance) also participate in the monthly Management Committee meetings as observers. A monitoring agent has been



A view of the north power substation being rehabilitated in Kabul city.

contracted to assist in ensuring proper fiduciary management for the recurrent cost financing done under ARTF.

As of February 18, 2009, 31 donors had pledged over US\$3 billion to ARTF, of which US\$2.9 billion has been received. More than US\$1.6 billion has been disbursed to the Government of Afghanistan to help cover recurrent costs, such as civil servant worker salaries, and over US\$1 billion had been made available for investment projects. Donor contributions have increased every year since inception and the fund has evolved into a key financial source of support for the ANDS. The fund is also a critical part of the aid architecture in Afghanistan, ensuring that transaction costs of dealing with many donors are kept to a minimum.

#### **The ARTF Recurrent Costs Window (US\$1.6 billion)**

The ARTF recurrent window finances salaries and wages of more than 250,000 non-uniformed civil servants, over half of whom work outside the city of Kabul, and the government's operating and maintenance expenditures outside of the security sector, including works, (capitalized) goods and other recurrent expenditures. The 1387 (Solar Year) National Budget includes US\$316 million in disbursements from ARTF for recurrent costs. Over the last three years, the Government of Afghanistan has established a new framework for Public Finance Management comprising the national budget as the main policy instrument; a commitment to transparency; and, a centralized computerized system — the Afghanistan Financial Management Information System (AFMIS) — to issue checks and record revenues and expenditures of the ordinary and development budgets. Parallel improvements have been made in the Da Afghanistan Bank payment systems. The recurrent window is administered by the World Bank with support from the Monitoring Agent, PriceWaterhouse Coopers (PWC). The Monitoring Agent works with the Ministry of Finance to ensure the eligibility of expenditures financed through ARTF and tracks overall operating budget performance.

Currently, there are 16 ongoing investment projects funded by the ARTF with a combined commitment of around US\$815 million (see below). For ARTF co-financed investment projects, please see above.

#### **The Improvement of Power Supply to Kabul project (US\$7.4 million)**

is working to improve the availability and reliability of power supply in Kabul by supplementing and extending activities financed under Afghan-German financial cooperation. It has the following three components: partial rehabilitation of Mahipar Hydropower Station, rehabilitation of 110 KV transmission lines, and supply and installation of street lighting in Kabul. The transmission line work and street lighting components have been completed. The hydropower rehabilitation is partially complete with one unit commissioned in May 2007. The second unit is expected to be completed by summer of 2009.

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

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



A view of Herat city in western Herat Province.

infrastructure in parts of Kabul with the aim of improving the reliability and quality of electricity supply and services in the target areas, as well as accountability of power utility; (ii) construct a new 220/20 kV substation and associated 20 kV lines at Aybak to provide quality, reliable, and clean grid power to the residents of Aybak town; and (iii) rehabilitate and augment the transmission facilities for the medium- and low-voltage distribution network in Mazar-e-Sharif. In addition, the project would support institutional capacity building for operation and maintenance of the distribution systems, as well as the establishment, operation, and handover to DABS (Da Afghanistan Brishna Shirkat – Afghanistan Power Utility) of a customer care center in the target area. The contractors for implementation of distribution work at Kabul and Mazar-e-Sharif have been mobilized. Design and Survey work is in progress. The contractor for Aybak and the Mazar transmission substation augmentation is also effective now and contractor would start work from April, 2009.

**ARTF – Afghanistan Power Sector Development Project (US\$35 million):** 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 Jab-ul Seraj. The project consists of the following two components: Distribution System Rehabilitation, and Institutional Capacity Building and Project Management Support to Ministry of Energy and Water (MEW). The project would support establishment of a unit within MEW to promote energy efficiency and saving. Contractors for distribution works at Pul-e-Khumri, Charikar, Gulbahar and Jab-ul Seraj have been finalized and contract signed. These contractors are expected to start work from end April 2009.

**National Emergency Employment Program, Phase I (NEEP-I) (US\$52.82 million):** NEEP-1 evolved from the IDA Grant-funded Labor-Intensive Public Works (LIPW) Roads component of the Emergency Community Empowerment and Public Works Program. The project is aimed at assisting the government in providing employment in rural areas at a minimum wage, as a safety net, to as many people in as short a time as feasible, through rural access and irrigation rehabilitation sub-projects. Physical works under the original NEEP-1 Grant of US\$16.62 million were fully completed by 31 July 2005. NEEP-1 was further extended after receiving additional funding of US\$36.2 million from the United Kingdom's Department for International Development (DFID), United States Agency for International Development (USAID), CIDA, and the Australian Agency for International Development (AusAid), through the ARTF. As of December 15, 2008, under NEEP-I approximately 3,000 kms of rural access and 9,000 meters of cross drainage structures had been completed. In addition, 98 natural resource management subprojects, 23 small irrigation subprojects, and four large irrigation subprojects (rehabilitating 15,000 hectares in Shamalan area) have been completed. Out of the 545 civil works contracts awarded, 505 have been completed, while works on seven contracts are ongoing and 40 have been terminated or cancelled due to various reasons. Labor days generated under the project are 5.13 million, and it is expected that once final payments have been completed 5.7 million labor days would have been paid. The project has been extended until March 31, 2009. Subprojects under NEEP-I (and with further continuous financing under follow-on NEEP Projects) have now reached all provinces of Afghanistan.

**The ARTF-financed Urban Water Supply and Sanitation Project (UWSS)** provides US\$41 million to support the government's short-term UWSS program. The first tranche of US\$20 million was made available in February 2005 and the second tranche of US\$21 million became effective in November 2005. The project has five components: Kabul water supply, Kabul sanitation, provincial towns WSS, engineering support and technical assistance, and financial support to the Central Authority for Water Supply and Sewerage (CAWSS) operations. The Kabul water supply and provincial towns WSS components are based on feasibility studies that have been completed for Kabul (financed by KfW) and 11 provincial capitals currently served by CAWSS. In addition, the ARTF has also financed feasibility studies for 11 cities not yet served by CAWSS. The Kabul sanitation component is based on the strategic sanitation plan and associated master plan covering municipal solid waste, on-site sanitation, and sewerage and storm water drainage. Investment components are currently at various stages of implementation. In particular, drilling works for Kabul water supply are now complete, but the next three construction contracts for which not adequate financing available under the project are proposed to be moved for financing by KfW and IDA. A few small-scale interventions were carried out for Kabul sanitation. Rehabilitation of the existing dumpsite shall commence in April 2009. Goods worth US\$10 million for the provincial towns WSS have been procured, and most contracts for pipe-laying and reservoirs have been awarded. The financial support to operations has been effective since August 2005 and was terminated in March 2007. This has significantly contributed to building the management capacity in all 14 units of CAWSS and detailed technical, financial, and commercial data have been generated for the first time. CAWSS is now about to be incorporated into the Afghan Water Supply and Sewerage Corporation (AUWSSC). A request for restructuring of the project has been received from the Government to reduce the Kabul water supply investment because of price escalation.

**Rural Water Supply (US\$7.65 million) project** has two objectives: (i) improve the health of rural communities by integrating health and hygiene education/awareness with the provision of water supply and sanitation services; and (ii) strengthen and build capacities of the central and provincial governments, NGOs, private sector and communities to scale up the provision of sustainable water supply and sanitation services. This project is specifically helping to alleviate the water supply problem for rural communities through the provision of 765 rural water points (with another 420 water points under the additional financing) and 17 reservoirs/gravity pipe schemes, together with the establishment of community-based operation and maintenance systems. This is being integrated with hygiene education and the expansion of hygienic sanitation facilities. The Program Implementation Unit (PIU) is in place, and the provincial RRD offices, support organizations, and construction partners are fully mobilized and will be maintained under the additional financing in each of the eight provinces covered by the project (Samangan, Sari-Pul, Kunduz, Takhar, Baghlan, Jowzjan, Badghis, and Kabul). The mobilization phase — with district demand collection, provincial planning and

community action plans – has been completed in each of the four districts selected in the eight provinces. Hygiene promotion and O&M training are nearly completed and being continued under the additional financing. Physical works for construction of water points and sanitary latrines for demonstration is well underway in all eight provinces and will continue under the additional financing next year. Contracts for the construction of a few remaining gravity pipe schemes were awarded this year and construction will be completed next year. Finally, a sector review study is being commissioned to inform further decisions for scaling up RWSS activities.

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

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

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

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

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

The second component — **Lateral Entry Program (LEP) (US\$3 million)** — includes a pilot phase, which aims to place 100 lateral entrants from NGOs and international organizations in middle- and senior-level line positions in government ministries and agencies for a period of up to two years. They will assist with the reform and restructuring process and help build institutional capacity. If successful, the pilot phase will be expanded. Since August 2005, around 130 lateral entrants have been recruited and together with AEP have supported over 20 ministries and agencies.

**The Management Capacity Program (US\$10 million)** will help ministries to improve their capacity in key managerial areas over the medium term. This should enable the government to manage resources more effectively and deliver results faster on the ground. The program will fund qualified Afghan staff, currently working in NGOs and international agencies, to work in critical positions in government in areas such as financial management, procurement, human resource management, policy, and administration. Priority will be given to positions in the sub-national offices of line ministries. As the funding from AEP and LEP is now fully committed, the announcement of the first 75 MCP positions is underway and is expected to strengthen management teams in 12 ministries and agencies both in Kabul and in the provinces.

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

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

All dollar figures are in US dollar equivalents.

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