

The World Bank in Afghanistan

COUNTRY UPDATE

DECEMBER 2004



“Universities have created strategies to increase their enrollment of young women and, in some cases, they have surveyed high schools for the number of girls and even started extra tuition courses to prepare them for University.”

Keiko Miwa, World Bank Education Specialist working on Afghanistan

Since April 2002, the World Bank has committed US\$ 317 million in grants and an additional US\$ 441 million in no-interest loans, known as “credits” for development projects in Afghanistan. Upon the successful completion of presidential elections in November, 2004, World Bank President James D. Wolfensohn committed to continued support for the country’s state-building efforts.

The World Bank has provided technical assistance to help the government manage donor funds with transparency and accountability. It has been an active advocate of building the capacity and the legitimacy of the state and channeling donor resources through the government as a means of assuring that investments are aligned with national priorities.

The World Bank is also administering six grants, totaling US\$ 27.6 million from the Japan Social Development Fund (JSDF), and a US\$1.5 million grant for training teachers from the World Bank Post Conflict Fund.

In September, 2004, the World Bank published its first economic report on Afghanistan in a quarter century. The report, *Afghanistan: State Building, Sustaining Growth, and Reducing Poverty*, states that future prospects depend on whether the country’s political leadership can free Afghanistan from a vicious cycle in which a largely informal economy, the opium trade, and violence reinforce each other. The report was designed to contribute to a greater understanding of the core challenges that lie ahead for Afghanistan and key priorities for national reconstruction.

STATUS OF OPERATIONS

The Emergency Infrastructure Reconstruction Project (US\$33 Million Grant) is rehabilitating water supply and sanitation in secondary cities, sanitation in Kabul, and basic electricity for several cities. The project’s urban public works are also generating short-term employment opportunities. Activities include:



Solid Waste Management Project in Kabul

Rehabilitation of Water Supply Systems is being supported in 11 provincial cities (Kandahar, Qalat, Mazar, Shibergan, Kunduz, Taloqan, Charikar, Mehterlam, Jalalabad, Ghazni, Gardez). The project is undertaking rehabilitation and redesign of existing systems, sector development analysis, planning for future operations, and feasibility studies for system expansion. In September, 2004, the World Bank published its first economic report on Afghanistan in a quarter century. The report, *Afghanistan: State Building, Sustaining Growth, and Reducing Poverty*, states that future prospects depend on whether the country's political leadership can free Afghanistan from a vicious cycle in which a largely informal economy, the opium trade, and violence reinforce each other. The report was designed to contribute to a greater understanding of the core challenges that lie ahead for Afghanistan and key priorities for national reconstruction. Over US\$ 6.5 million of goods and equipment have arrived in Kabul and have been shipped to all provincial towns for rehabilitation works. Local contractors are currently installing the materials and expect to finish work by the end of 2004.



Members of the Community Development Council in Ghoran village, Bamiyan Province. The establishment of such councils has been supported by Afghanistan's National Solidarity Program with financing by the World Bank. The elected members' primary work has been to determine local development needs and assist with implementation of projects that will serve their communities.

Solid Waste Management in Kabul: Between October 2002 and May 2004, over 120,000 cubic meters of solid waste were collected and 46 community organizations were formed to help solve sanitation problems in Kabul. Teams of professional female hygiene and health educators have, in addition to speaking with over 68,000 students, visited 160,000 households to speak with families about the correct and safe clearing of their rubbish. The project financed fuel and maintenance costs, logistics support and protective equipment to the Sanitation department workers. It was implemented by Habitat, the United Nations Human Settlements Program together with the Sanitation Department of Kabul Municipality.

Labor Intensive Municipal Public Works Program: Launched in December, 2002 and completed in April 2004, this program implemented over 100 labor-intensive projects for infrastructure improvement and repair in Kabul, Kandahar, Jalalabad, Mazar-i Sharif, and Herat. The cash-for-work program generated significant temporary employment (supplying the equivalent of work for 43,000 people for an average of 10 days). Achievements include: over 43,000 meters of road graveling and leveling in four cities; cleaning, construction and excavation of almost 61,000 meters of side ditches in Kabul, Jalalabad and Kandahar; construction of 74 shallow wells and 17 deep wells in Kabul; the planting of 21,000 saplings in Mazar; and site cleaning of 32,000 square meters in Kandahar. The program was overseen by Habitat, in coordination with Afghanistan's Ministry of Urban Development and Housing.

Increasing Power Supply: In January 2003, the 45 mw Northwest Kabul Thermal Power Station was recommissioned, after being inactive for 14 years. This has almost doubled the available power supply in Kabul, particularly critical during the winter months, when demand increases by one-third. USAID has agreed to fund the fuel

Afghanistan Facts

Population: 22 million

Life expectancy: 43 years

Infant mortality rate: 115 per 1000 live births

Adult literacy rate: 29 percent

Major Industry: Agriculture

Number of children who returned to school in the past three years: over three million



A well is dug as part of a community project to improve the drinking water supply in Khawaja Ahmad village, Baghlan province. The project was supported by Afghanistan's National Solidarity Program which is funded primarily by the World Bank.

requirements to allow the plant to continue operations. In addition, several diesel generators have been installed in smaller provincial cities throughout the country which had little or no access to electricity, including Faizabad, Baghdis, Bamiyan, Samanghan, and Uruzgan.

Power Sector Master Plan: A final master plan to develop Afghanistan's power sector was submitted in October 2004. It provides the basis for future investments in power generation and transmission up to the year 2020.

The Emergency Community Empowerment and Public Works Project (US\$42 Million Grant) is supporting local income generation and infrastructure rehabilitation through labor intensive public works, and is strengthening governance at the community level through elected Community Development Councils that plan and manage small reconstruction and development projects funded by block grants. Activities include:

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. By the end of August 2004, elected Community Development Councils were in place in 5,947 village communities, and were active all but one of the country's 34 provinces. A total of 3,258 communities were implementing projects, and block grant installments totaling US\$29 million had been disbursed, while US\$60 million was committed to community projects. A follow-up project—the Emergency National Solidarity Project—funded by an IDA Grant of \$95 million became effective on April 5, 2004, and provides funding for the NSP.

Labor Intensive Public Works Project - US\$16.5 million: The project has been 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 316 sub-projects have been completed, generating 2.68 million person-days of



A boy draws water from a communal well. Only around 13 percent of Afghanistan's 23.5 million population has access to safe drinking water.

Afghanistan Transitional Support Strategy

In March 2003, the World 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 and 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 enabling private sector development in Afghanistan.

employment in 28 provinces, and repairing 3,925 km of rural roads together with repair of 18 schools, 10 irrigation systems, and 40 water storage systems.

The National Emergency Employment Program for Rural Access (US\$39.2 Million Credit/Grant) 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. Twenty-eight 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.

The Emergency Public Administration Project

(US\$10 Million Grant) 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. Activities 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. Work is progressing on plans to improve the management of payrolls throughout the country to improve the timeliness and receipt of payments.

Procurement Agent: The procurement agent has facilitated 196 government contracts valued at \$382 million, and is processing 80



Women consult reference books in the Kabul University Library



A primary school blackboard destroyed during the civil conflict

additional contracts valued at about \$337 million. Training in procurement rules and procedures has been provided for over 110 ministry staff with more courses planned. A draft procurement law and related regulations and bidding documents have been prepared.

Audit Agent: Has assisted the Control and Audit Office with completing the audits of IDA projects, Afghanistan Reconstruction Trust Fund (ARTF) projects and recurrent cost expenditures, and the state budget. In addition, over 100 staff have participated in various training courses including computer and language training and technical audit courses. On-the-job training in modern audit working practices and procedures has been undertaken during audits of World Bank-funded projects and the ARTF. A strategic development plan is under preparation along with a review of the legal framework associated with audit activities.

The Second Emergency Public Administration Project (US\$8.4 Million Grant) 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).

The Emergency Education Rehabilitation and Development Project (US\$15 Million Grant) 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. Activities include:

Assistance to Higher Education Institutes: A grant has been provided for the Institute of Polytechnic, the University of Education, and five faculties and dormitories of Kabul University to improve student facilities and raise the quality of education. A committee consisting of the faculty, administrative staff, and students was formed at each location to determine priority activities. A similar grant program with greater focus on female enrollment has begun in higher education institutions outside Kabul.

Grant money is helping a group of female students establish an internet café at Kabul University. They have prepared a business plan and budget, begun management of the bidding process, hiring of a contractor through a competitive process, and supervision of the contractors' work. The internet café, which can accommodate 25



Teachers share a light moment on their way to school



Afghan women in Kabul participate in a video discussion entitled "Women In the Afghanistan Reconstruction". The event was part of a Women In Global Dialogue Series which enabled women from developing countries to speak to each other and to development experts from around the globe. The Afghan women joined the conference via satellite from the Kabul Global Development Learning Center financed by the World Bank.

people at a time, is planned to be completed by the end of October 2004, and will be run by the female students. It is expected to be financially self-sufficient.

Rehabilitating Primary Schools with Community Participation: Grants have been provided for the rehabilitation of approximately 100 primary schools in Bamyan, Logar, Parwan, Kapisa and Badakhshan provinces. Nearly 700 schools in these provinces have established School Management Committees which allow communities oversight of their children's education. The communities cover 25 percent of the cost of school rehabilitation and construction while the Ministry of Education uses the grant money to provide the rest. Physical rehabilitation of schools is combined with teacher training and other educational inputs.

A comprehensive school survey was begun in May 2004 with support from the World Bank. Eighty percent of data forms from over 7,500 schools have been returned to Kabul. Data entry is expected to complete by the end of October. The survey will help the government better assess the education needs of the country. The homepage of the Ministry of Education (www.moe.gov.af) has also been developed under the project.

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 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.



A crumbling Bridge in Logar province



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

The Emergency Transport Rehabilitation Project (US\$108 Million Credit) is helping to 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.

Salang Tunnel Rehabilitation: In July 2004, the Salang tunnel work was completed, opening the 2.7 km tunnel for two-way traffic day and night on a continuous basis for the first time since 1997. This tunnel is probably with the highest altitude (3400m) in the world. The tunnel 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 the lack of ventilation, inadequate drainage and electricity for lighting caused accumulation of water and ice that made the tunnel treacherous and often impassable. Work included reconstructing collapsed snow galleries, ventilation shafts and buildings as well as installation of ventilation equipment, tunnel lighting and electric power generators.

The tunnel is the only entry point to Kabul for humanitarian aid and other goods as well as for returning refugees from the North. The open tunnel will now greatly facilitate traffic, trade, and the economic recovery of Afghanistan. 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.

Emergency Road Repairs: 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, Kunduz - Taluqan as well as a 68 km section of the Taloqan - Kishem road. Critical repairs of bridges, road pavements, retaining walls and snow galleries are ongoing. Urgent mine clearance works have been completed on three of the contracts. Road works on the mountainous road sections at Salang have been given priority as winter approaches, and several bridges and snow galleries have been completed. Large sections of road pavements have also been restored, and overall the road components across Salang are more than 55 percent completed.

Civil Aviation: The Bank is also financing some emergency needs in the civil aviation sector. This includes provision of navigation & communication equipment for Kabul and provincial airports, Runway rehabilitation, emergency demining, and fencing of the Kabul International Airport & etc. All the abovementioned works are expected to be completed early next year.

The Health Sector Emergency Reconstruction and Develop-

ment Project (US\$59.6 Million Grant) is helping to 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. Activities include:

Six NGOs, three Afghan and three international, have begun work in 8 provinces, Helmand, Farah, Badghis, Sari-Pul, Balkh, Samangan, Wardak and Nimroze. More than 60 new health facilities have been established in the last nine months and hundreds of community health workers have been trained. The Ministry of Health will be responsible for delivering services in three additional provinces.

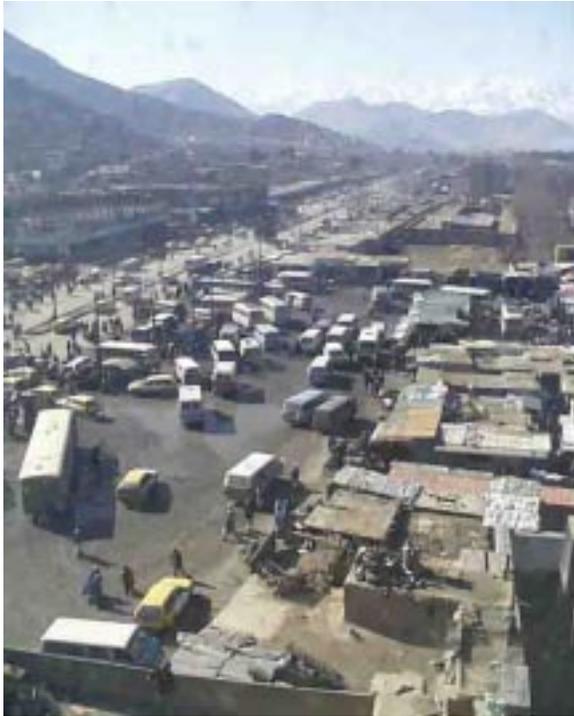
The Emergency Communications Project (US\$22 Million Credit) is helping the government expand its communications network through providing policy advice and developing the capacity of the Ministry of Communications and improving the delivery of postal services. Activities include:

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. Seven satellite dishes (VSATs) are already in place, providing connectivity to six provinces outside of Kabul.

The Emergency Customs Modernization and Trade Facilitation Project (US\$31 Million Credit) is supporting Afghanistan's efforts to increase revenue from trade, reduce transport related trade costs, stimulate trade, reduce corruption, and streamline border procedures. The project focuses on the development of physical infrastructure at border crossing stations, inland clearance depots, including the Kabul Inland Customs Depot, transit checkpoints, and the customs facilities at Kabul airport. It will also support policy changes, strengthen the government's administration of the customs and transit systems, including communications and the introduction of computerization, provide technical advice on trade and transit agreements, and assist in the establishment of a National Standards Commission. The project has been effective for about six months, and work has begun on the refurbishment of existing facilities and preparatory activities and design for new infrastructure.

The Emergency Irrigation Rehabilitation Project (US\$40 Million Credit) is helping to 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.

The Afghanistan Investment Guarantee Facility (US\$5 Million Credit) will provide up to \$60 million of insurance against political risks for potential investors in Afghanistan. It will encourage investment in areas including manufacturing, agribusiness,



Kabul bus terminal



A young man bundled up against the Afghan winter.

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.

banking, and smaller scale infrastructure projects. Foreign investment in these sectors will stimulate the local economy, increase employment, create tax revenues, and assist in the transfer from abroad to Afghanistan of modern technologies and business practices.

The World Bank Group's Multilateral Investment Guarantee Agency (MIGA) will administer the facility and, along with the World Bank International Development Cooperation and the Asian Development Bank, will supplement the initial \$5 million credit.

The Kabul Urban Reconstruction Project (US\$25 million Grant) is supporting reconstruction and rehabilitation in 45 of Kabul's most vulnerable neighborhoods where the majority of the urban poor live in informal settlements, often in bombed-out ruins. It aims to assist approximately 250,000 residents in gaining access to basic services such as water, sanitation and solid waste and in obtaining secure land tenure. The goal is to help mend the urban fabric of this important city now struggling to accommodate many thousands of returnees. Building capacity in both the Ministry of Urban Development and Housing and Kabul Municipality is an additional critical component of the project.

The Education Quality Improvement Program (US\$35 million Grant) is providing grants for rehabilitation of school buildings and will fund training opportunities for teachers, school principals and educational administrators at district, province and central levels. The grant is also helping to develop capacity at the Ministry of Education for policy formulation, monitoring and evaluation.

The Emergency Power Rehabilitation Project (US\$105 million Credit) is financing the rehabilitation and expansion of the power distribution network in Kabul, the rehabilitation of the Naghlu hydro power station, the largest plant serving Kabul, and the rehabilitation of transmission lines. It is also assisting with the commercialization of the power utility (Da Afghanistan Breshna Moassese-DABM) and capacity building for the Ministry of Water and Power staff.

Programmatic Support for Institution Building (US\$80 million Credit) is the first of a series of operations aimed at supporting the implementation of the government's medium-term development strategy. It will strengthen reforms currently underway, particularly in the areas of public administration and fiscal management. It will also support improvements in the administrative capacity of ministries and sub-national governments, develop revenue policy and administration, and enhance civil service effectiveness.

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

Grants to support innovative post-conflict projects. These include:

The Afghanistan Reconstruction Trust Fund

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

The Fund is designed to:

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

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

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: *(A procurer of the National Solidarity Program) Is enabling the Government of Afghanistan to grant funds to NGOs to help communities rebuild. Achievements to date include:*

Forty-four 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 35 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 Nuristan—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.



Children in Kabul

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.

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: (i) recurrent costs of the government, such as the salaries of teachers, health workers, civilian staff in ministries and provinces, operations and maintenance expenditures; (ii) investment projects, including capacity building, feasibility studies, technical assistance; and (iii) financing the return of expatriate Afghans. The ARTF is jointly managed by the Asian Development Bank, the Islamic Development Bank, the United Nations Development Programme, and the World Bank, which acts as the administrator of the fund and has contracted a monitoring agent to assist in ensuring proper fiduciary management.

Twenty-four donors have pledged \$877 million to the ARTF, and over \$634 million has been received. As of August 22nd, 2004, over \$322 million had been disbursed to the Government of Afghanistan to help cover recurrent costs and \$53 million for investment projects. 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. Following are investment projects with grants allocated from the ARTF:

The **ARTF Microfinance Support for Poverty Reduction Project (US\$17 Million)** aims to 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, ten NGOs which also operate as Microfinance Institutions have qualified to on-lend funds and provide other services. Already microfinance services are being provided in more than 35 districts with outreach expected to reach 100 districts by March 2005. The microfinance sector is making an important contribution to reducing poverty in Afghanistan and is reaching vulnerable people. Research and development work is ongoing to improve agricultural loan products and to promote the provision of services for vulnerable groups such as those with physical

disabilities and the kuchis.

The **Rehabilitation of Telecommunications Systems Project (US\$6 Million)** aims to 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. The project consists of the following three components: rehabilitation of the satellite earth station in Kabul, expansion and improvement of transmission links, billing and collection system.

The **Repair of Major Kabul City Roads and Water Drainage Systems Project (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.

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 and has three components: partial rehabilitation of Mahipar Hydropower Station, rehabilitation of 110 kV transmission lines, and supply and installation of street lighting in Kabul. The street lighting component will contribute to improve security in Kabul, while the rehabilitation project of the Mahipar Hydropower Station will finance the supply of tools, spare parts, consumables, and the project's supervision.

The project **for Strengthening the Financial Management Capacity of Government (US\$5 Million)** is working to improve the financial management capacity of the Ministry of Finance and of selected line ministries, thereby increasing donor confidence in Afghanistan's financial capability.

The **Afghan Experts Program (US\$5 Million)** is working to increase the contribution of expatriate professional Afghans living abroad in the reconstruction of Afghanistan by enhancing public sector policy and institutional capacity. This component also aims to close the skills gap in information technology, engineering, and teaching with well-trained overseas Afghans, and to provide local Afghans with opportunities for on-the-job training to enhance their technical skills.

Technical Assistance and Feasibility Studies_ - US\$14 Million

This project provides technical assistance to line ministries to make programs and projects suitable for funding by key development partners or private sources. The specialists recruited 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 to prepare larger investments.

The **National Emergency Employment Program (US\$16.6 Million)** is helping to provide minimum-wage employment in rural areas as a safety net to as many people as possible and in as short a time as feasible. This grant aims to provide bridge financing from the Afghanistan Reconstruction Trust Fund (ARTF) to the Transitional Islamic State of Afghanistan (TISA) over an 18-month period, and to maintain the momentum and credibility of the two on-going labor intensive public works projects. This financing and maintenance of momentum will be needed until supplemental financing from the National Emergency Employment Project (NEEPA US\$39.2 million) becomes available. ■

All dollar figures are in US dollar equivalents.

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