

Country Update

THE WORLD BANK GROUP IN AFGHANISTAN

“Improved wheat seed is a vital input for proper crop production.”

page 38



page 4
WORLD BANK
GROUP SUPPORT



page 6
ONGOING
OPERATIONS

page 26
INTERNATIONAL
FINANCE
CORPORATION



page 28
AFGHANISTAN
RECONSTRUCTION
TRUST FUND

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Public Disclosure Authorized

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CONTENTS

WORLD BANK GROUP SUPPORT

page 4 -5

page 4
World Bank projects and programs

International Finance Corporation

Multilateral Investment Guarantee Agency

page 5
Interim Strategy Note, 2012-2015

Afghanistan Reconstruction Trust Fund

Japan Social Development Fund

ONGOING OPERATIONS

page 6-23

page 6
EDUCATION AND TRAINING

page 9
FINANCIAL SECTOR

page 12
HEALTH

page 14
INFRASTRUCTURE

page 19
RURAL DEVELOPMENT

page 25
SOCIAL SAFETY NET

page 25
URBAN DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

page 26-27

AFGHANISTAN RECONSTRUCTION TRUST FUND

page 28 -42

page 28-29
WHAT IS THE ARTF
HOW THE ARTF WORKS

page 30
ONGOING PROJECTS

10 RESULTS

'Access to Credit'



20 RESULTS

'Rural Development Program'



38 RESULTS

'Afghan Farmers Reap'



RESULTS 34

'Urban Transport'



MEASURES TO SUPPORT GROWTH

The World Bank presentation proposes a number of measures to support Afghanistan's growth and development process during the recovery phase:

- Closer dialogue on key reforms with the private sector to restore confidence and investment.
- Devise social safety interventions to reduce vulnerability of the poor and enhance their productivity, and re-articulate the needs for security and development assistance.
- Achieve results on reforms through forceful and pragmatic implementation.

NEWS



SLOW ECONOMIC RECOVERY MARKS POST-TRANSITION PERIOD

The World Bank made a presentation at the Senior Officials Meeting on September 4-5, 2015, highlighting that challenges to development in the post-transition period remain substantial, ranging from stubbornly high poverty and persistent conflict and violence to increasing labor market pressures and low human capital. The New Unity Government has initiated a number of bold reforms to address the challenges but it will take time for these reforms to translate into impact.

Transition has affected Afghanistan's economy and governance much more deeply than anticipated. Economic recovery is slow: high levels of conflict incidences and uncertainty over reform continue to affect investor confidence. Growth is expected to be sluggish at 1.9 percent in 2015, slightly up from 1.3 percent in 2014. Fiscal vulnerabilities will remain high and will require a large revenue effort, consolidated expenditure and sustained levels of aid from the international community.

SYSTEMATIC COUNTRY DIAGNOSTICS TO IDENTIFY CONSTRAINTS AND PRIORITIES

In September 2015, the World Bank Group (WBG) Afghanistan Country Office held a number of consultative meetings with various stakeholders including representatives from the Government of Afghanistan, donors, private sector, and civil society organizations. The aim of these consultations was to engage with various stakeholders on the Bank's Systematic Country Diagnostics (SCD). The SCD precedes preparation of a new WBG Country Partnership Framework (CPF).

The SCD is intended to be an evidence-based, diagnostic report to identify key constraints and priorities for each

country to accelerate progress toward reducing poverty and promoting shared prosperity in a sustainable way. The SCD is not intended to be limited to expected areas of World Bank Group engagement, but rather to inform the policy discussion with a broad community of stakeholders in Afghanistan's development.

The SCD under preparation notes that Afghanistan faces three fundamental constraints in its efforts to reduce poverty: fragility and conflict; demography and geography; and declining aid. Despite significant economic and social progress since 2003, poverty nationwide

remained stagnant at about 36 percent between 2007 and 2012. Furthermore, an unprecedented transition since 2012 has led to a marked decline in economic performance.

The SCD recognizes that sustained development progress will require a reduction in levels of conflict and violence. At the same time, Afghanistan will need to make progress in addressing three important priorities: (i) strong and inclusive growth and job creation; (ii) expansion of prioritized service delivery; and (iii) maintaining fiscal stability.

WORLD BANK GROUP SUPPORT

World Bank projects and programs

Since April 2002, the World Bank's International Development Association (IDA) has committed over \$3.09 billion for development and emergency reconstruction projects, and five budget support operations in Afghanistan. This support comprises over \$2.68 billion in grants and \$436.4 million in no-interest loans known as 'credits'. The Bank has 15 active IDA projects in Afghanistan with net commitment value of over \$1 billion.

The World Bank has provided advice to help the Government of Afghanistan (GoA) manage donor funds effectively and transparently. The Bank also supports the government by providing analytical work on the economy, public administration, gender, poverty, opium economy, and public finance management.

The Bank has actively supported key reforms, particularly in the fiscal and public administration spheres, and through its budget support operations. It has advo-

cated 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.

⇒ *For information about completed projects:* www.worldbank.org.af – *Projects & Programs.*

International Finance Corporation

The International Finance Corporation (IFC), the World Bank Group's private sector development arm, continues to work with its investment and advisory service partners in Afghanistan. IFC Investment Services now has a committed investment portfolio totaling some \$80 million in five companies, which include commitments in the financial, telecommunication, and hospitality sectors. IFC is exploring investment opportunities across

the manufacturing, financial markets, and infrastructure sectors. IFC Advisory Services is also very active in Afghanistan with six active projects during the reporting period.

⇒ *For more information: see page 26.*

Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) has \$154 million of gross exposure in Afghanistan, supporting telecommunication and agribusiness projects. The telecommunication project (MTN) is also receiving financing from IFC. The two agribusiness projects are in dairy and cashmere production.

In 2013, MIGA launched its 'Conflict Affected and Fragile Economies Facility' that uses donor partner contributions and guarantees as well as MIGA guarantees to provide an initial loss layer to insure investment projects in difficult contexts. This facility could be used to boost the agencies' exposure in Afghanistan.

THE WORLD BANK INTERIM STRATEGY NOTE FOR AFGHANISTAN, 2012-2015

The World Bank's approach is to support GoA in implementing elements of the most important National Priority Programs in a way that will build legitimacy and capacity of the institutions.

One of GoA's greatest priorities will be to build domestic sources of growth and jobs to replace donor/military assistance and to sequence NPPs to concentrate on foundational investments for growth.

Under the Interim Strategy Note period, the Bank's program is built around three interlocking themes:

- Building the legitimacy and capacity of institutions.
- Equitable service delivery.
- Inclusive growth and jobs.

Afghanistan Reconstruction Trust Fund

The Afghanistan Reconstruction Trust Fund (ARTF) is a partnership between the international community and GoA to improve effectiveness of the reconstruction effort. As of June 21, 2015, 34 donors have contributed over \$8.15 billion, making ARTF the largest contributor to the Afghan budget—for both operating costs and development programs.

ARTF's support for National Priority Programs (NPPs), operating costs of government operations, and the policy reform agenda is contributing to the achievement of the Afghanistan National Development Strategy goals. More than \$3.7 billion have been disbursed to GoA to help cover recurrent costs, such as civil servants' salaries, and over \$3.8 billion had been made available, both for closed and active investment projects. As of June 21, 2015, 21 projects are active under ARTF with net commitment value of \$2.5 billion.

⇒ *For more information: see page 28.*

Japan Social Development Fund

The Japan Social Development Fund (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.

As of September 2015, JSDF's total commitment had reached \$85 million. A number of JSDF-financed projects have been completed so far.

⇒ *For more information:* <http://go.worldbank.org/U5OQZVF200>

ONGOING OPERATIONS

/ EDUCATION AND TRAINING

Second Education Quality Improvement Program (EQUIP II)

⇒ IDA GRANT \$65 MILLION

⇒ ARTF GRANT \$408 MILLION

EQUIP's objective is to increase equitable access to quality basic education, especially for girls, through school grants, teacher training, and strengthened institutional capacity with support from communities and private providers. Program interventions are primarily targeted toward general education, teacher training, and education management. The program is fully aligned with the Afghanistan National Education Strategic Plan and supports the institutional development of the Ministry of Education's program staff.

As of September 2015, EQUIP II has supported the construction of 863 schools and 137 more schools are currently under construction. Overall, there are 8.5 million children enrolled in schools throughout Afghanistan, of whom 3.3 million (39 percent) are girls.

Under both phases of EQUIP, social mobilization activities have been conducted in 14,432 communities, resulting in the establishment of an equal number of school *shuras* (community-based consultative bodies). So far, 16,588 schools have received Quality Enhancement Grants for purchase of school supplies, laboratory equipment, and other materials to enhance the learning environment.

To date, nearly 154,700 teachers have been trained under In-Service Teacher Training (INSETs 1-5) packages, 35 percent of whom are women. At the same time, 17,200 school principals and administrators have undergone School Management Training (SMTs 1-6), some 20 percent of whom are women.

In addition, 11,436 women have received scholarships and graduated from Teacher Training Centers (TTCs) across provinces, with

Hundreds of children at this school in Balkh Province have transferred from tents to a properly equipped learning environment in newly built classrooms. "Studying in a proper classroom has brought me peace of mind, something every student deserves to enjoy," says one of the students. The new school building and facilities were made possible through grants from the Second Education Quality Improvement Program as well as contributions from parents and the local community.



the exception of Paktika, Uruzgan, and Zabul. Some 5,000 teachers received a scholarship in 2013-2014. Further, 542 quality grants and 300 gender grants have been awarded to TTCs since 2010. Gender grants are awarded to TTCs based on the number of female students enrolled to encourage them to enroll more women. Gender grants are used for providing more facilities and a better learning environment for female students.

Afghanistan Skills Development Project

⇒ IDA GRANT \$55 MILLION

The project's objective is to increase the potential for employment and higher earnings

of graduates from Technical and Vocational Education and Training (TVET) schools and institutes through improvements in the skills delivery system. The project focuses on providing incentives to schools and institutes offering formal TVET programs through a challenge fund scheme, while simultaneously strengthening the institutional system for TVET as a whole. The project has four components:

Component 1: This component essentially focuses on (a) the formulation of a detailed TVET strategy and plan, which would also be in line with the National Priority Program 1, National Education Strategy Plan-II, and the Interim Strategy Document published by the government, and an implementation program; (b) developing quality standards for skills delivery; (c) designing and implement-

ing a labor market information system and an overall Management Information System (MIS) for the TVET system; (d) capacity building of monitors and inspectors of schools and institutes accredited by the Deputy Ministry of TVET (DMTVET); and (e) conducting certification examinations for TVET graduates and related activities.

Component 2: This component includes a program for the recognition of schools and institutes that have already implemented some good practices to improve academic management, reform school administration, attempts to find placements for students or to establish linkages with local industries, curricular reform at the local level, and practical steps to deal with student welfare. Such schools and institutes will be given a recognition award of \$30,000 in kind.



The second step will consist of selecting a number of schools and institutes (approximately 15 over the life of the project), which, through a detailed business plan, demonstrate a willingness to sustain these good practices and/or to introduce new ones. The selected schools and institutions will be provided development grants of up to \$400,000 each.

Component 3: This component is specifically directed towards developing an infrastructure for in-service training for technical teachers and to build a pool of master trainers. It is proposed to train 750 technical teachers and at least 60 master trainers by the end of the project.

Component 4: This component finances the technical assistance cost for a skills team, as well as costs of third party monitoring and evaluation, and a public awareness campaign. The public awareness campaign will sensitize high school graduates on the type of training provided by various institutions as well as the quality of the training.

To date, 15 TVET schools and institutes selected nationwide have received the recognition grant of \$30,000 to scale up and/or replicate good practices in delivering skills. These beneficiaries also have received supplementary technical assistance for the preparation and implementation of Business Development Plans and five-year business

More than 170 students are enrolled in the Vocational High School for the Blind in Kabul, where they are working to fulfill their ambition to have a vocation and contribute to society. The school is supported by the Afghanistan Second Skills Development Project, which provides incentives to schools and institutes offering formal Technical and Vocational Education and Training programs.

plans for their institutes. The second round of the recognition grant awarded to 22 more TVET schools/institutes is underway.

In partnership with the International Labor Organization and an international certification agency, graduates from these institutes and schools will receive internationally recognized certification of their skills. So far, 1,545 graduates from the National Institute of Management and Administration (NIMA) have received an International Certificate from the University of Jyväskylä, Finland, and Ball State University, USA.

Enrollment at NIMA rose from 300 students to over 1,000 students in two years and the number of women enrolling improved significantly. Complete transparency in the entrance exam has become the standard of the school. Over the last 18 months, the Implementing Partner for NIMA (Ball State University) has organized seven rounds of entrance examinations of international standard, and over 700 students are now currently enrolled at NIMA to pursue a two-year business program equivalent to a Bachelor's degree.

To date, 522 TVET graduates have received scholarships under the Award of Voucher Program to upgrade and strengthen their competencies by pursuing an International Certification program in various fields.

An In-service Technical Teacher Training Institute was established in 2013 and two cohorts have already graduated. A Project Management Information System (PMIS) has been established and is providing regular update on all aspects of project implementation (procurement, financial management, human resources, civil work, student enrollment and graduation, etc.). The PMIS now links all four aided institutes (NIMA, Afghanistan National Institute of Music, Blind School and Afghan Institute of Technology) to the Project Unit.

/ FINANCIAL SECTOR

Access to Finance Project

⇒ IDA GRANT \$50 MILLION

The Access to Finance Project aims to build institutional capacity to improve access to credit of micro, small, and medium enterprises. The project has the following components:

Component 1: Improving access to financial services for micro and small enterprises. This component aims to provide continuing support to the microfinance sector through the Microfinance Investment Support Facility for Afghanistan (MISFA), as well as, supporting MISFA to take on a broader role as a catalyst for innovations to increase access and usage of financial services from the lower end of the market according to its new strategic plan. It should, however, be underlined that the role of MISFA is primarily that of market facilitator, rather than direct technical assistance provider.

Component 2: Improving access to financial services for small and medium enterprises (SMEs). The aim is to increase commercial bank and microfinance institution (MFI) lending to SMEs and thus facilitate their access to financial services. It will support the expansion of the Afghanistan Credit Guarantee Facility, and provide technical assistance to commercial banks to strengthen their SME lending capacity. This component will include support to the Credit Guarantee Facility to provide coverage to MFI lending to the lower end of the SME market.

Component 1 is under implementation and MISFA has initiated a series of activities (in particular the scaling up of the Targeting the Ultra Poor Program). The procurement process related to the scale up of the Targeting the Ultra Poor Program was completed and the contract awarded in July 2015. Component 2 has not yet started, as discussions are



“ when I repaid my initial loan,
I borrowed a second time. After that,
I secured two additional loans. My business thrived
with each passing day,
and now we have everything. **”**

– Fatima, tailor

ACCESS TO CREDIT *transforms the lives of many Afghans*

- Loans obtained through microfinance institutions are helping small entrepreneurs across Afghanistan increase revenues and improve living standards.
- The microfinance institutions are supported by the Microfinance Investment Support Facility for Afghanistan (MISFA), which receives funding from the World Bank and Afghanistan Reconstruction Trust Fund (ARTF).
- MISFA has provided, cumulatively, more than \$1 billion in loans to over 2 million clients, more than a third of whom are women.

Sleeping next to a hot heater in a small room, the baby breathes comfortably. Only three months old, she is probably the luckiest member among the family of seven living here.

A few years ago, the family of the baby girl did not have the means to keep their rooms warm during the cold seasons, but everything has changed with the wise decision of Fatima, the baby's grandmother. Fatima, 48, who has been doing beadwork and tailoring for nearly 30 years, decided to secure a loan to invest in her business four years ago.

“First, I got a loan of 10,000 afghanis (about \$155). When I repaid my initial loan, I borrowed 40,000 afghanis the second time. After that, I secured two different loans of 50,000 afghanis each,” says Fatima. “My business thrived with each passing day, and now we have everything.”

Fatima works from home, together with her daughter-in-law and sister-in-law. She and her husband, a 52-year-old driver, live with their family in an informal settlement where poor people live in the center of Kabul City.

Significant impact on livelihoods

Fatima was able to secure the loans through a microfinance institution supported by the Microfinance Investment Support Facility for Afghanistan (MISFA), which has provided a great opportunity for her and thousands of others across Afghanistan to improve their livelihood. The program has received support from the Afghanistan Reconstruction Trust Fund (ARTF) since 2003 and World Bank's International Development Association (IDA) since 2007.

In 2013, IDA provided \$50 million to the Access to Finance Project, which gives further support to MISFA to increase access to financial services of micro, small, and medium enterprises. To date MISFA has provided, cumulatively, more than \$1 billion in loans to more than 2.1 million clients, 37 percent of whom are women.



MISFA's Managing Director, Bahram Barzin says: “An average of 1.85 jobs are created with the issuance of each microfinance loan. This program is also contributing to the economic development of the country. Our clients are people whose living standards are very low, and these microfinance loans have made tremendous contributions in improving their living standards.”

The impact of the microfinance loans is far greater than Fatima and her family anticipated four years ago. Fatima used to produce five to six shirts a day, but now production has spiked to 30 shirts per day, and her income has increased from 200 afghanis (\$3.00) per day to 1,000 afghanis (\$15.50). The shirts are sold to a local clothing company, which supplies to handicraft markets.

Saleh Asil, 18, runs a shop selling these beaded shirts in the Qala-e-Fatullah neighborhood of Kabul City. He says the market for shirts with beadwork is thriving, particularly in spring and summer. The result is that even employees like Saleh reap a good income. “I have been working in this business for one and a half years. The owner of the store pays me a salary of \$200 a month,” says Sahel, who is the sole provider of his family.

ongoing between the Ministry of Finance and the Afghanistan Credit Guarantee Foundation for an agreement to be signed.

Afghanistan Financial Sector Rapid Response Project

⇒ IDA GRANT \$25.7 MILLION

The project is assisting the Da Afghanistan Bank (DAB) to develop a set of action plans to improve banking supervision and implement a modern payment system for efficient and transparent payment transactions. Specifically, the project aims to allow DAB to accurately assess the financial situation of 10 commercial banks through audits conducted in accordance with international standards. The audits will lead to the development of action plans to address weaknesses that are identified, with oversight from DAB.

The project also aims to modernize the national payment system with the goal of reducing the use of cash transactions, the main means of making payments in Afghanistan, and transitioning to electronic, card, or mobile payments. The project will also provide further support to the Afghanistan Institute of Banking and Finance (AIBF) to allow it to scale up its activities, in order to increase the availability of banking sector skills.

The project was restructured and additional financing to the project (\$6.7 million) supported selected technical assistance activities originally financed under the Financial Sector Strengthening Project, which closed in June 2014. The additional financing targeted activities to strengthen DAB's capacity and the establishment of a Public Credit Registry.

The audits of the 10 commercial banks were completed in June 2012. A Movable Collateral Registry and a Public Credit Registry, set up in 2013, are now fully operational. The process for modernization of the payment system is in progress. The mobile/card national payment switch, operated by Afghan Payment

Systems, is completed and the contract is expected to be awarded soon. The implementation of the Real Time Gross Settlement (RTGS) Automated Clearing House (ACH) and Central Securities Depository (CSD) is pending the signing of the contract with the selected vendor and will take 18 months.

/ HEALTH

System Enhancement for Health Action in Transition (SEHAT) Program

⇒ IDA GRANT \$100 MILLION

⇒ ARTF GRANT \$300 MILLION

⇒ GOVERNMENT OF AFGHANISTAN
\$30 MILLION

⇒ MULTI DONOR TRUST FUND FOR HEALTH
RESULTS INNOVATION \$7 MILLION

The program aims to expand the scope, quality, and coverage of health services provided to the population, particularly for the poor, in 22 provinces, and to enhance the Ministry of Public Health's (MoPH) stewardship functions. The project supports the provision of basic health and essential hospital services in both rural and urban areas. It also strengthens the national health system and MoPH's capacity at central and provincial levels.

The project includes the following three components:

Component 1: Sustaining and improving the basic package of health services and essential package of hospital services: supports the implementation of these services through performance-based partnership agreements between MoPH and non-governmental organizations, which will deliver health services as defined in these packages.

Component 2: Building the stewardship capacity of MoPH and system development by supporting the following thematic areas: strengthening subnational government;

HEALTH OUTCOMES ON POSITIVE TREND

UNDER-FIVE MORTALITY RATE AND INFANT MORTALITY RATE DROPPED to 97 and 77 per 1,000 live births from 257 and 165, respectively.

MATERNAL MORTALITY RATIO FELL to 327 per 100,000 live births, compared to 1,600 in 2002.

NUMBER OF FUNCTIONING HEALTH FACILITIES INCREASED to more than 2,000 in 2012 from 496 in 2002, while at the same time the proportion of facilities with female staff increased.

BIRTHS ATTENDED BY SKILLED HEALTH PERSONNEL AMONG THE LOWEST INCOME QUINTILE INCREASED to 35 percent from 15.6 percent.

PENTA3 IMMUNIZATION COVERAGE MORE THAN DOUBLED (a combination of five vaccines in one covering polio, diphtheria, Pertussis, tetanus and hepatitis B), from 29 percent to 60 percent among children aged 12 to 23 months in the lowest income quintile.

CONTRACEPTIVE PREVALENCE RATE INCREASED to 30 percent from 19.5 percent.



This district hospital in Balkh Province is providing better access to health services to local residents, which is resulting in lower maternal mortality rates and improved public health. The hospital, one of five provincial tertiary referral centers, has been able to strengthen its services through support from the System Enhancement for Health Action in Transition Program.

strengthening the healthcare financing directorate; developing regulatory systems and capacities for ensuring quality pharmaceuticals; working with the private sector; enhancing capacity for improved hospital performance; strengthening human resources for health; governance and social accountability; strengthening the Health Information System and use of information technology; strengthening health promotion and behavioral change; and improving fiduciary systems.

Component 3: Strengthening program management: supporting and financing costs associated with system development and stewardship functions of the MoPH including incremental operating costs at central and provincial levels and technical assistance.

The Afghan health system has made considerable progress during the past decade

thanks to strong government leadership, sound public health policies, innovative service delivery, careful program monitoring and evaluation, and development assistance. Data from household surveys (between 2003 and 2011) show significant declines in maternal and child mortality.

Despite significant improvements in the coverage and quality of health services, as well as a drop in maternal, infant and under-five mortality, Afghanistan health indicators are still worse than the average for low income countries, indicating a need to further decrease barriers for women in accessing services. Afghanistan also has one of the highest levels of child malnutrition in the world. About 41 percent of children under five suffer from chronic malnutrition, and both women and children suffer from high levels of vitamin and mineral deficiencies.

/ INFRASTRUCTURE

Afghanistan Information and Communication Technologies (ICT) Sector Development Project

⇒ IDA GRANT \$50 MILLION

The project builds on the success of earlier projects and catalyzes the next phase of ICT development in the country. It supports policy and regulatory reforms and strategic infrastructure investment to expand connectivity and enable more users to access high quality mobile and Internet services. It also helps mainstream the use of mobile applications to improve public service delivery and program management in strategic government sectors. The project helps develop the local IT industry by expanding the pool of skilled and qualified IT professionals, and supporting the incubation of ICT companies in Afghanistan.

As of September 2015, major milestones under the project include progress in construction of optical fiber cable, completion of about 440 kilometers of ducting, and operationalization of the four nodes on the north-east segment. A total of 1,500 Afghans have been trained under the IT skills development program and another round of specially designed job-oriented training programs will run in 2016.

The Ministry of Communications and Information Technology (MCIT) is preparing an open access policy for the national backbone network, ensuring non-discriminatory access to wholesale Internet bandwidth for all firms. The Common Services Delivery Platform (mobile governance hardware and software) has been commissioned and 30 mobile applications have been developed and hosted on the platform; line ministries are in the process of developing the contents.

The platform allows any citizen with a mobile phone to access a set of public services.

Two rounds of the Innovation Support Program awarded 15 local innovators for their ideas on how mobile technologies could help address challenges in various sectors including agriculture, education, and health.

The ICT business incubator complex has been constructed in the ICT Institute area of MCIT and eight start-up business entities have undergone training programs in the complex to date. Under the Capacity Building Program of MCIT, 443 ministry staff members have been trained so far.



The Ministry of Communications and Information Technology, with support from the Information and Communication Technologies (ICT) Sector Development Project, is developing the local IT industry by expanding the pool of skilled and qualified IT professionals, and supporting the incubation of ICT companies in Afghanistan.

Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000)

⇒ IDA GRANT \$526.5 MILLION

The Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000), covering Afghanistan, Kyrgyz Republic, Pakistan, and Tajikistan, will put in place the commercial and institutional arrangements as well as the infrastructure required for 1,300 megawatts (MW) of sustainable

electricity trade. The total project cost is estimated at \$1.17 billion and several other development partners will provide financing for CASA-1000, including the Islamic Development Bank and United States Agency for International Development (USAID).

CASA-1000 will build more than 1,200 kilometers (km) of electricity transmission lines for associated sub-stations to transmit excess summer hydropower energy from existing power generation stations in Tajikistan and the Kyrgyz Republic to Pakistan and Afghanistan. The project finances the engineering design, construction, and commissioning of transmission lines and three new converter stations. The power generation

stations that provide the energy to be traded over CASA-1000, including Toktogul in Kyrgyz Republic and Nurek in Tajikistan, are already in place.

Of the total project financing, **Afghanistan will receive \$316.5 million** in the form of an IDA grant. The grant will support construction of about 560 km of overhead transmission line to connect the electricity network via the northern and eastern provinces of Afghanistan. It will also finance the engineering design, construction, and commissioning of a 300-MW converter station in Kabul. Afghanistan is expected to connect more households and businesses to the power grid by importing 300 MW of electricity through CASA-1000. Da Afghanistan Breshna Sherkat (DABS), Afghanistan's electricity company, and the Ministry of Energy and Water will implement Afghanistan's portion of this project, including a Security Management Plan for both the construction and operation phase.

Irrigation Restoration and Development Project (IRDP)

⇒ IDA GRANT \$97.8 MILLION

⇒ ARTF GRANT \$48.4 MILLION

⇒ GOVERNMENT FUNDS \$2.5 MILLION

The project builds upon and scales up activities supported under the completed World Bank-financed Emergency Irrigation Rehabilitation Project closed in December 2012. It supports the rehabilitation of irrigation systems serving some 300,000 hectares of land, and design and construction of a limited number of small multi-purpose dams and related works, while establishing hydro-meteorological facilities and services.

As of September 2015, progress had been made in all areas. In the irrigation component, a total of 98 irrigation schemes have been rehabilitated, covering 100,000 hec-

tares of irrigation command area (compared to the end project target of 300,000 hectares) and benefiting 63,000 farmers.

In the small dam component, the completed pre-feasibility study had selected seven dam sites in the northern provinces. A feasibility study of the six best-ranked small dams in the northern river basin (which are not on international rivers), selected from a pre-feasibility study of 22 small dams, has been completed. Furthermore, dam development studies for a Social and Environmental Impact Assessment (SEIA) are planned for the 3-4 first ranked dams.

In the hydro-met component, installation of 127 hydrological stations and 56 snow and meteorological stations located in various locations on the five river basins in the country is ongoing. In addition, 40 cableway stations for flow measurement at selected hydrology stations have been installed.

Second Customs Reform and Trade Facilitation Project (SCRTFP)

⇒ IDA GRANT \$50.5 MILLION

SCRTFP builds on the overall success of the completed Emergency Customs Modernization and Trade Facilitation Project and continues with the ongoing reforms. The project is assisting the Afghanistan Customs Department (ACD) to consolidate the customs modernization process, improve governance, and improve the release of legitimate goods in a fair and efficient manner.

The project aims to achieve this through (i) countrywide computerization of customs clearance operations; (ii) installation of executive information systems for customs, allowing real-time monitoring of operations; (iii) development of possible options for cross-border customs-to-customs cooperation; (iv) provision of selected customs infra-

structure to enable modernized operations; and (v) technical assistance to support the development of a regulatory, administrative, and institutional framework for customs.

The World Bank Board of Executive Directors recently approved an additional \$21.5 million grant. The Automated System for Customs Data (ASYCUDA) full declaration processing (DPS) is now fully operational in 13 computerized customs offices, covering more than 95 percent of declared trade. Migration from the ASYCUDA++ version to the newer web-based ASYCUDA World platform has been completed in 12 sites, with both international and national transit covered.

Infrastructure development was completed successfully, with 10 large and 21 smaller civil works related contracts completed, in-

cluding a new Customs House at Khost, and improvements to Kabul, Jalalabad, Kandahar, and Nimroz Customs Houses.

Substantial progress has been made in preparation of a Customs Modernization Action Plan, Post Clearance Audit (PCA) implementation plan, Risk Management policy and procedure, and Customs Strategic Plan.

A Customs-to-Customs Cooperation Agreement between Tajikistan and Afghanistan was signed on March 26, 2014, and real time data exchange commenced from July 2015. A Customs-to-Customs Cooperation Agreement between Afghanistan and Iran is expected to be signed soon. ACD has also started negotiations with United Arab Emirates and Turkey for signing similar cooperation agreements.



A community monitor in Nangarhar Province, appointed under the Irrigation Restoration and Development Project, walks alongside an irrigation canal to check the quality of its construction. Community monitors are instructed on proper construction practices for canal and irrigation projects, and taught to use smart phones to photograph potential problems, collect data, and send their information to the head office in Kabul for prompt review.

The work and lives of residents in a cluster of villages in Balkh Province have improved significantly after the construction of this gravel road, giving them access to markets and health services. The construction of the all-weather road was carried out under the Afghanistan Rural Access Project. “Ever since the road was built, the transport costs of commodities have fallen.

Residents can easily take their agricultural products to the market,” says the head of the local Community Development Council.



Sustainable Development of Natural Resources Project

⇒ IDA GRANT \$43 MILLION

The project aims to assist the Ministry of Mines and Petroleum (MoMP) and the National Environmental Protection Agency (NEPA) in further improving their capacities to effectively regulate Afghanistan’s mineral resource development in a transparent and efficient manner, and foster private sector development.

Steady progress has continued under this project including transaction support for

the tender and negotiations of the main Hajigak contract. An International Advisory Panel (IAP) has been established to ensure the transparency of the negotiations process. Other areas of progress include collection of new geodata and the digital capture of existing historical geodata for the development of a modern computerized geo-database in order to attract the exploration interest necessary to sustain discovery of new deposits and for sector growth; and the preparation and publication of 18 sub-sector development policies by commodity to guide sustainable development.

An independent external inspection and contract compliance monitoring system has been established. At the same time, capacity building of NEPA and MoMP officers on in-

and small-scale mining of Afghanistan; and implementation of the Extractive Industries Transparency Initiative (EITI).

The excavation of nearly 80 percent of the archeological red zone at Mes Aynak is underway. The employment of seven international archeologists, 18 Afghan archeologists, management and 18 field support staff, and some 550 laborers from surrounding communities is also in progress. Over the past year, the MoMP and MoIC have significantly increased their level of coordination (a bottleneck to progress in the past) and ownership over the project.

/ RURAL DEVELOPMENT

Afghanistan Rural Access Project (ARAP)

⇒ IDA GRANT \$125 MILLION

⇒ ARTF GRANT \$207 MILLION

ARAP aims to enable rural communities across Afghanistan to benefit from improved access to basic services and facilities through all-weather roads. The project is expected to increase the number of people living within 2 kilometers (km) of all-season roads, reduce travel time to essential services, and enable rural communities to access essential services more frequently.

As of September 2015, construction of 410 km of secondary gravel roads, 105 km of secondary asphalt roads, and 880 linear meters of secondary bridges has been completed. Construction of 900 km of tertiary roads and 1,050 linear meters of tertiary bridges also has been completed. In the meantime, routine maintenance of 1,032 secondary roads and period maintenance of 132 km of secondary roads were undertaken. Routine maintenance of 3,250 km of tertiary road and period maintenance of 500 km of tertiary road were also completed. The first nationwide inventory and condition survey of rural roads was initiated.

spectorate services functions and regulatory monitoring is in progress.

Other ongoing activities under this project include the preparation of the Resettlement Policy Framework (RPF) and the associated Environmental and Social Management Framework (ESMF); the preparation of a Strategic Environmental and Social Assessment (SESA) for the sector; development of a computerized mining cadastre system (AMCS+) for MoMP; development of corporatization and commercialization options for state-owned enterprises; provision of technical assistance to the MoMP and Ministry of Information and Culture (MoIC) on the intersection between the extractive industries and cultural heritage; addressing the economic and social subsector of artisanal



“The AREDP training programs have been very useful to me. Over the past year, I have learned more than in a decade of working and experiencing these issues.”

—Abdul Hamidullah, farm manager, Behsoud district

RURAL DEVELOPMENT PROGRAM *modernizes animal husbandry*

- Rural enterprises in Nangarhar Province are expanding capacity and increasing revenue with the help of a rural development program that provides training and technical support.
- The Afghanistan Rural Enterprise Development Program, implemented by the Ministry of Rural Development and Rehabilitation, provides support to small and medium enterprises that have been selected for their potential as key drivers of rural employment and income generation.
- The program receives funding support from the World Bank and Afghanistan Reconstruction Trust Fund (ARTF).

Abdul Hamidullah, 42, has learnt more in 12 months than he has ever had in over a decade of working in animal husbandry. Hamidullah, who was forced to close his own poultry business, now runs his uncle's farm, increasing its income by a third.

Hamidullah says he has learned a significant amount about farming as a result of the training he has undergone over the past year provided through the Afghanistan Rural Enterprise Development Program (AREDP), implemented by the Ministry of Rural Development and Rehabilitation.

“AREDP training programs have been very useful to me,” he affirms. “Over the past year, I have learned more than in a decade of working and experiencing these issues. Now, in addition to managing my uncle's farm, I am a trainer in programs in Kabul and Nangarhar Provinces.”

The AREDP receives funding support from the World Bank and Afghanistan Reconstruction Trust Fund (ARTF). Started in 2010, AREDP works towards strengthening market linkages and value chains for rural enterprises by providing technical support to enterprise groups and small and medium enterprises that have been selected for their potential as key drivers of rural employment and income generation.

In January 2014, Hamidullah visited farms and received training in India through AREDP. “In India, I saw modern farms and realized that in Afghanistan, we lag 20 years behind in poultry and cattle farming,” says Hamidullah.

It was this previous lack of knowledge in modern husbandry practices that led Hamidullah to close his own poultry business. “Because of financial losses, my poultry business was shut down prior to my trip to India and I lost more than 900,000 afghanis (almost \$14,000).



But now, on my uncle's farm, I have started the business more forcefully,” he says.

Safe environment for livestock

The result of putting his experience in India into practice at Hashimi Farm is an expansion of livestock, leading to an increase in the farm's annual income to \$18,000, a rise of 30 percent. The three-hectare farm in Qala-e-Pir Sahib village in the Behsoud district of Nangarhar Province rears more than 25,000 fish, 7,000 chickens, and over 30 cattle annually.

“In the past, we kept nine enclosures of fish, but now we have 14,” Hamidullah explains. “Our farm previously could accommodate only 20 cows, but it can now accommodate up to 100. We have also created seven new jobs. We have greatly benefited from this training program, and it has allowed us to expand significantly.”

Afghanistan Rural Enterprise Development Project (AREDP)

⇒ IDA GRANT \$30 MILLION

⇒ ARTF GRANT \$6.2 MILLION

AREDP aims to enhance economic mobilization and activities by organizing the rural poor into Savings Groups (SGs), Village Savings & Loan Associations (VSLA) and Enterprise Groups. The project provides technical support to these groups so as to build a financial discipline through savings and internal lending practices, and technical support to enterprises.

To date, the program has established 5,561 Savings Groups with a membership of some 68,000 rural poor (52 percent women) in 747 villages. The SGs have saved over \$3.37 million and members have accessed more than 27,000 internal loans for productive and emergency purposes with a repayment rate of 95 percent.

To generate economies of scale, 415 Village Savings & Loan Associations have also been established as federations of the SGs, and are maintaining accurate and up-to-date records of accounts with good governance structure in place. On average each VSLA has \$6,500 as loan-able capital, which is further boosted with a seed grant injection. This improves access to finance for group members who would like to increase productivity or engage in entrepreneurial activities but cannot access such funds from commercial banks or microfinance institutions.

AREDP also works towards strengthening market linkages and value chains for rural enterprises by providing technical support to 1,238 Enterprise Groups (65 percent female) and 563 (13 percent female) Small Medium Enterprises that have been selected for their potential as key drivers of rural employment

and income generation. Six Provincial Situation Analysis (PSA) have been completed and 10 PSAs are underway. Support was given to 113 *Kochies* (nomads) and 143 disabled people to enhance their enterprise development skills and productivity. AREDP uses Community Development Councils as an entry point into communities and is currently working in 20 districts of five provinces: Parwan, Bamyan, Nangarhar, Balkh, and Herat.



The rebuilding of this irrigation canal has brought life back to a rural neighborhood in Balkh Province, reviving arable land as well as allowing residents to supplement their income by growing their own vegetables. The reconstruction sub-project was made possible through contributions from local residents and a grant from the National Solidarity Project, the government's flagship program for rural development.

Third Emergency National Solidarity Project (NSP)

⇒ IDA GRANT \$40 MILLION

⇒ ARTF GRANT \$1.05 BILLION

⇒ JSDF GRANT \$9.59 MILLION

GoA's flagship program is in its third phase and aims at generating a strong sense of ownership and social stability while enhancing service delivery and security through empowerment and development activities that communities identify, plan, manage, and monitor on their own.

Since 2003, NSP has successfully established Community Development Councils (CDCs) in over 34,600 communities, and supported subsequent rounds of CDC elections in over 11,400 of these communities. More than 485,000 CDC members have been elected, registered, and trained in a variety of areas including in their roles and responsibilities, basic accounting, basic procurement, basic project management, and linkages with other government and development actors. Over 950,000 community members also have been trained to support the CDCs with project management and/or operations and maintenance. In a sign of ownership,



communities have contributed over \$150 million in cash, kind, and voluntary labor towards the sub-projects implemented through NSP.

Specifically under the current phase, some 14,530 new CDCs have been established and over 11,300 been re-elected. Together, over 25,700 community development plans have been prepared, and more than 41,200 sub-project proposals designed. Over 40,800 of these proposals have been financed with block grants totaling \$922 million, and of these, some 24,600 have closed while others are ongoing. The financed sub-projects include transportation (30 percent), water supply and sanitation (25 percent), irrigation (26 percent), power (5 percent), and other small-

scale infrastructure schemes (14 percent).

Cumulatively, over all the NSP phases to date, CDCs have received over \$2.19 billion, of which some \$1.57 billion have gone to communities through block grants to finance over 87,900 sub-projects. More than 71,800 sub-projects have closed, while the rest is ongoing.

Over 6.1 million families have benefited from NSP-financed sub-projects. NSP has created temporary rural employment by generating over 52 million labor days over the past 12 years.

⇒ For more information:
www.nspafghanistan.org

This hospital in Kabul is one of hundreds of enterprises benefiting from the Afghanistan New Market Development Project, a pilot business development program implemented in four urban centers in Afghanistan. As a result of the project, the hospital has been able to improve its presence in the domestic market by acquiring new technology and being the first in the country to offer it.

/ SOCIAL SAFETY NET

Afghanistan Safety Nets and Pensions Support Project

⇒ IDA GRANT \$20 MILLION

The objectives of the project are to: (i) improve the administration of the public pension schemes; and (ii) develop administrative systems for safety nets interventions, with focus on targeting and benefit payment delivery, to deliver cash benefits to the poorest families in targeted pilot districts.

Key elements of a reformed and modernized Public Sector Pension System are in place, including a revised institutional and human resources structure of the Pension Department, a comprehensive new Management Information System (MIS), a set of business processes, fiscal forecasting models for revenues and expenditures, and a new chart of accounts of the pension system. Around 55,000 pensioners are registered in the new pension MIS and are paid through bank accounts.

A multi-phased safety net cash transfer pilot has been designed, implemented, and evaluated. A targeting and benefit delivery mechanism has been tested and is now being further improved, together with computerized registration. The pilot program over the past three years has provided support in cash transfers to over 16,000 poor and vulnerable families (around 80,000 individuals) in eight selected districts in five provinces.

/ URBAN DEVELOPMENT

Afghanistan New Market Development Project

⇒ IDA GRANT \$22 MILLION

The project aims to pilot a business development program in the four urban centers of Kabul, Mazar-e-Sharif, Jalalabad, and Herat, which are the major hubs of economic activity. It helps enterprises gain market knowledge, improve product quality, boost productive capacity, acquire new technologies, and develop and implement business plans to increase their presence in both domestic and export markets. The project specifically aims to support some 750 enterprises and 10 business associations through a cost-sharing facility to access business development services. The project is expected to create around 1,500 jobs in the short term with much higher job growth over the longer term.

The project is implemented by the Ministry of Commerce and Industry. The General Director of the Private Sector Development Department acts as the Project Director.

The Facility for New Market Development (FNMD), created under the project, was officially launched on March 12, 2013. Since then it has received 1,051 applications from small and medium enterprises (SMEs), and signed cost-sharing grant contracts worth \$10 million with 434 firms and associations.

Moreover, FNMD has processed 67 additional grant agreements with the SMEs that successfully completed their first cycle of agreements. Also through FNMD, 1,385 jobs have been created across the country, including more than 30 percent for women, with 155 new or improved products introduced in either domestic or export markets.

INTERNATIONAL FINANCE CORPORATION

/ CURRENT STRATEGY AND OVERVIEW

In recent years, the International Finance Corporation (IFC) has been following an integrated advisory and investment strategy focused on improving investment climate, building capacity, and supporting selective investments in sectors with high development impact and job creation possibilities. IFC's current strategy is in line with the ongoing World Bank Group's Interim Strategy Note for Afghanistan (ISN-FY12-15) and has jointly contributed to the Systemic Country Diagnostics currently under preparation.

Investment portfolio

IFC's committed portfolio in Afghanistan has more than doubled since FY08, from some \$58 million to about \$135 million in FY14. Currently, IFC's portfolio stands at about \$80 million and includes two investments in the telecommunication sector (MTN – a joint project with MIGA, and Roshan), one investment in the hotel sector (TPS), and two operations in financial markets (First Microfinance Bank, Afghanistan International Bank).

Through the project with the First Microfinance Bank, the first licensed private sector microfinance bank in Afghanistan, IFC helped to reach over 64,000 borrowers – 16 percent of whom were women. Similarly, IFC has had significant impact in the telecommunication sector by improving mobile phone access and services to the poor through the investment in MTN and Roshan Telecom.

IFC will continue to seek new investment opportunities and engage with local players in order to support the development of Afghanistan's private sector. The investment pipeline for FY16 looks promising and includes investments in financial markets, mobile infrastructure, the power sector, and agribusiness.

The investment program has been supported by a strong advisory services program in the areas of access to finance, investment climate, horticulture/agribusiness, small and

medium enterprises capacity development, and Public Private Partnerships (PPPs). At present, there are seven active mandates across the two integrated global practices, and four IFC industry groups and cross-cutting areas.

/ ADVISORY SERVICES PROJECTS

Business enabling environment

IFC is currently working with the Kabul Municipality to develop a simplified yet effective construction permit system and regulatory framework that would improve the government's capacity and efficiency in issuing construction permits. The intended results would include an increasingly transparent process as well as a reduction of paperwork, processing time, and the number of signatures required to obtain a permit. This ongoing intervention includes technical support to streamline procedures, improve both manual and automated systems, and provide legal expertise to draft a revised legal framework and guide clients on building consensus around the reforms.

IFC launched a four-year \$13 million USAID-funded Investment Climate program in July 2015. Initial components of this program include the second phase of the trade licensing project in which support aimed at creating a more transparent, efficient, and conducive licensing regime will be stabilized and rolled out to provincial areas; the preparation of a new Doing Business Reform Memo; identification of subsequent indicator-based reform advisory work; and the launch of a Sub National Doing Business assessment and report.

Furthermore, IFC Advisory teams continue to collaborate closely with the World Bank in relation to the financial sector and investment climate in support of key reforms affecting the private sector.

Access to finance

IFC, as part of the Finance & Markets (F&M) Global Practice, provided assistance to the central bank, Da Afghanistan Bank (DAB), in collaboration with the World Bank's Financial Sector Strengthening Program in support of the establishment of the first electronic Movable Collateral Registry and Public Credit Registry.

IFC also helped establish regulatory frameworks for leasing and will now focus on building the strengths of commercial banks and other financial institutions to offer asset-based lending products and to achieve a greater utilization of the registries, with a view of further expanding outreach of financial services to more small and medium enterprise in the country.

IFC, through the F&M Global Practice, has also been working closely with DAB on the development of the legal and regulatory environment governing the establishment of a leasing sector in Afghanistan. The project, in addition to creating enabling legislation, will aim to build awareness and capacity of various stakeholders, public and private, to enable financial institutions to diversify and expand their portfolios and increase access to financial services and products in the country. The leasing law was passed in the spring of 2014. Development of regulations is currently underway.

Enterprise development

The Business Edge initiative has been facilitating business skills training to individuals and SMEs. To date, the program has trained 9,056 individuals (3,935 women) along with 801 micro, small and medium enterprises, plus government and development organizations. IFC has partnered with 10 local training providers to strengthen their capacity, aiming to enhance the sustainability of the provision of management training services.



IFC also has been providing support to SMEs in the agribusiness sector by helping farmers and processors improve productivity and supporting the expansion of market opportunities both nationally and internationally. In the near future, the project expects to have a signed agreement with a leading Afghan agribusiness firm and will work with that firm to improve its operations through the integration of farmers who are able to implement best practices in their supply chains (through previous phases of the project).

AFGHANISTAN RECONSTRUCTION TRUST FUND

/ WHAT IS THE ARTF?

The Afghanistan Reconstruction Trust Fund (ARTF) is a partnership between the international community and GoA for the improved effectiveness of the reconstruction effort. Since 2002, 34 donors have contributed over \$8.15 billion, making ARTF the largest contributor to the Afghan budget for both operating costs and development programs. ARTF's support for National Priority Programs, operating costs of government operations and the policy reform agenda is contributing to the achievement of the Afghanistan National Development Strategy goals.

Management

The World Bank is administrator of the fund. The Management Committee consists of the World Bank, Islamic Development Bank, Asian Development Bank, UNDP, and Ministry of Finance. The Management Committee meets regularly in Kabul to review ARTF finances and approve funding proposals. Donors meet every quarter to discuss broader strategy with the government and ARTF management in the steering committee.

Donor contributions

Donor contributions have increased year after year, with new donors joining and older donors increasing their levels of contribution. Over the last few years the 'preferenced' portion of donor contributions has been the main factor driving growth. The agreed ARTF rule is that donors may not 'prefer' more than half of their annual contributions. This

rule is to ensure that ARTF retains some flexibility in the approval of projects in support of the NPPs and that it has sufficient funding to finance the Recurrent Cost Window.

The Recurrent Cost (RC) Window

GRANT \$3.76 BILLION

To date, ARTF has disbursed \$3.5 billion through the government's operating budget. Domestic revenues continue to be insufficient to cover the costs of government. The ARTF Recurrent Cost Window has therefore ensured the basic functioning of government including the delivery of services such as healthcare and education. Given that around 60 percent of the non-uniformed Afghan civil service is accounted for by teachers, the Ministry of Education has in general received about 40 percent of total ARTF resources. Ministries of Public Health, Foreign Affairs, Labor, and Social Affairs and Higher Education have also been major recipients.

It should also be highlighted that the RC Window resources are national in scope, ensuring the payment of salaries of around 62 percent non-uniformed civil servants in all 34 provinces of the country. Steady year-on-year increases in operating costs across government mean the RC Window accounts for a declining share of the overall budget. Nevertheless, the RC Window still finances around half of the non-security costs of government.

The Investment Window

The Investment Window has in the last years increased significantly in volume and

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. ARTF has now 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 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.

scope. Since SY1389 (year 2010) investment commitments have exceeded recurrent cost commitments. Disbursement rate on ARTF investment as of June 21, 2015, is 60 percent. Decentralized and national rural development programs, such as the NSP, rural roads, and education, have been strongly supported by ARTF.

As of June 21, 2015, there are 21 projects active under ARTF with a total commitment value of \$2.5 billion, of which \$1.56 billion have been disbursed and the net undisbursed amount is \$900.07 million.

⇒ Full details of investment activities are provided in the ARTF Quarterly Reports: www.worldbank.org/artf.

/ HOW THE ARTF WORKS

Donors contribute funds into a single account, held by the World Bank in the USA. The ARTF Management Committee makes decisions on proposed allocations at its monthly meetings, and those decisions are translated into funds through Grant Agreements signed between the World Bank and the Government of Afghanistan.

ARTF allocations are made through two 'windows': the Recurrent Cost Window and the Investment Window. The Recurrent Cost Window reimburses the government for a certain portion of eligible and non-security related operating expenditure every year. The Investment Window provides grant financing for national development programs in the development budget.



/ ONGOING PROJECTS

Afghanistan Agricultural Inputs Project (AAIP)

GRANT \$74.8 MILLION

AAIP aims to increase adoption of improved crop production technologies. The agriculture sector is central to Afghanistan's economy, employing 60 percent of the nation's workforce. As such, strengthening institutional capacity of the Ministry of Agriculture, Irrigation and Livestock (MAIL), and increasing investments for safety and reliability of agricultural inputs are invaluable to support continued increase of agriculture productivity.

Firstly, the project will improve the technical and economic efficiency of the value chain of certified wheat seed. Secondly, building on the legal and regulatory framework that the project helped build during the preparation phase, the project will develop the necessary accredited facilities for plant quarantine networks and quality control of agro-chemicals. Thirdly, guided by the results of field surveys carried out during the preparation phase, the project will design and pilot test a demand-led action plan to improve and develop market based input delivery systems for seeds and agro-chemicals. The sustainability of these interventions will be supported by capacity building programs involving civil servants, farmers, and traders.

During its second semester of implementation, AAIP completed the expansion of its technical teams at central and regional levels, thus finalizing necessary arrangements to provide increased assistance for improved quality and delivery of production inputs to the agricultural sector.

To date, AAIP has technically and financially supported MAIL and its relevant directorates in the production of breeder, foundation, and certified wheat seeds based on improved production practices. The project has also completed a survey and designs for establishment of 13 laboratory complexes for the

Plant Protection and Quarantine Directorate, as well as designs for 10 Border Quarantine Stations.

Another major achievement is the completion of a survey and designs of nine Regional Research Stations and four Regional Seed Production Farms. The work so far in these areas will inform future investments by the project as well as the ministry. The project also provided in-country training for 313 staff members of the Agriculture Research Institute of Afghanistan (ARIA), and Improved Seeds Enterprise Plant Protection and Quarantine Directorate. The international training, including masters and PhD programs, for the Ministry's target staff is in progress.



A farm worker on an Improved Seeds Enterprise production farm in Balkh Province supported by the Afghanistan Agricultural Inputs Project. The farm is one of six that produces foundation crop seeds from breeder seeds, produced by the Agricultural Research Institute of Afghanistan. The project aims to strengthen ongoing research and seed production activities, which are resulting in the improvement of quality seed production and release of new wheat varieties.

Afghanistan Justice Service Delivery Project

GRANT \$85.5 MILLION

The objective of the Justice Service Delivery Project for Afghanistan is to increase access to and use of legal services. The project seeks to implement the government's NPPs; mitigate the impact of the transition; put the system on a sustainable path for long-term results; and improve service delivery. The project will finance the costs associated with: (a) building capacity of front line legal service providers to deliver key legal services; (b) increasing scope and quality of legal aid; (c) improving access of the people to legal information and civil legal education; (d) improving management and provision of legal

services by central justice institutions; and (e) building project management capacity. The implementing agencies are the Supreme Court, Ministry of Justice, and Attorney General's Office (AGO).

There has been progress in several of the components and sub-components: capital investment plans are under development; the development of the Legal Aid Road Map and Legal Aid Regulatory Framework is underway; and Training and Human Resource Management strategies will soon be contracted. Civil service reform in the Attorney General's Office for administration and support has advanced according to plan.

Training programs for prosecutors focusing on white collar and corruption related crimes have taken place. Moreover, 105 judges have undergone training in the Egypt Training Institute for Judges in fields such as criminal

The reconstruction of an irrigation canal in Kabul Province is allowing farmers to regulate the flow of water into the catchment area. The reconstruction project, supported by the On-Farm Water Management Project, has solved the issue of water shortage and allowed farmers to increase their area of arable land.



law, civil law, commercial law, and family law. The construction of the Information and Administrative Center of the Supreme Court and two other provincial offices has been completed.

The new Criminal Procedural Code and a number of other laws have been printed and distributed to relevant stakeholders. Five legal libraries have been opened by the Supreme Court and Attorney General's Office.

Afghanistan On-Farm Water Management Project

GRANT \$25 MILLION

This pilot project is designed to support on-farm water management investments in

five regions (Central, Eastern, Southwest, Northeast, Northern) covering a total of 10,000 hectares. The project improves agricultural productivity in project areas by enhancing the efficiency of water use.

Land productivity of wheat and other crops has increased by 15 percent. Water productivity of wheat and other crops increased 10 percent, and the irrigated area increased by 10 percent. Physical rehabilitation of irrigation schemes exceeded its target with good quality and within the project budget allocation and timeline: to date, 100 irrigation schemes (mostly informal) have been rehabilitated, covering a total of 19,000 hectares of irrigation command area.

The establishment of 175 Irrigation associations (IAs) has been completed. The IAs are based on the traditional *Mirab* system and have taken up the responsibilities for operation and maintenance.

Afghanistan Power System Development Project

GRANT \$75 MILLION

The project supports GoA in increasing access to grid power and the quantity of power available to consumers in the target urban centers of Pul-e-Khumri, Charikar, Gulbahar, and Jabul-es-Seraj, and to improve the availability of electricity from Naghlu and Mahipur switchyards. It consists of three components: distribution system rehabilitation; rehabilitation of transmission switchyard associated with Naghlu and Mahipur Hydropower Stations; and institutional capacity building and project management support to the Ministry of Energy and Water (MEW).

Under the project, 495 kilometers of distribution lines have been constructed or rehabilitated. A total of 24,667 kilovolt-amps (KVA) were installed in Charikar, Gulbahar, and Jabul-es-Seraj, while 17,209 KVA were installed in Pul-e-Khumri. The project supported the energy efficiency activities of MEW through the setting up of an Energy Efficiency Unit. A national awareness program for energy efficiency was completed in July 2014. Three energy efficiency demonstration programs have been completed as well. The project was restructured in June 2015, covering the time extension of the project to May 31, 2017, and an additional financing of \$15 million to allow completion of project activities.

Capacity Building for Results Facility Project for Afghanistan

GRANT \$100 MILLION

Capacity Building for Results (CBR) is a capacity building, institutional development, and public administration reform project to strengthen selected line ministries' capacity

to better plan and execute their development budget, simplify business processes, and provide faster and quality services to Afghan citizens. CBR promotes accountability in line ministries by introducing results-based reform and services improvement programs. CBR is also one of the key tools for the government to reduce reliance on external technical assistance and parallel structures.

The grant helps finance the costs associated with (i) technical assistance for preparation and implementation of capacity building programs; (ii) recruitment of some 2,400 managerial, common function, and professional staff for key positions in selected line ministries; (iii) a management internship program; (iv) training of civil servants; and (v) project management, monitoring, and evaluation.

The Ministry of Agriculture, Irrigation and Livestock and Ministry of Communications and IT were approved as the first top tier ministries, enabling them to recruit a substantial number of skilled civil servants to implement its CBR reform program. The Ministry of Mines and Ministry of Social Affairs also have been approved, and several others are at various stages of proposal development. Recruitment of senior level civil servants funded through CBR is progressing; a total of 99 active senior management group positions are currently funded, with over 100 more in various stages of recruitment. CBR is also encouraging salary harmonization for donor-funded consultants led by the Bank.



“ Many institutions are located along this road, and when the roads are wide and standards are met, people will make it to their destinations on time without being stuck in traffic for hours.”

—Ahmad Samim, traffic police officer, Pol-e-Sorkh intersection

URBAN TRANSPORT PROJECT *creates scores of jobs in Kabul*

- Some 200 jobs have been created by a road reconstruction project that will connect Deh Bori to Darulaman road in Kabul and will see wide, well-lit roads, sidewalks, and covered sewers on completion.
- The Kabul Urban Transport Efficiency Improvement Project (KUTEI), implemented by Kabul Municipality, is undertaking this project to build roads to international standards and improve traffic circulation.
- The Afghanistan Reconstruction Trust Fund’s support to KUTEI targets improvement of transport services through a package of interrelated interventions to build Kabul Municipality’s capacity.

Sameer Waziri, 43, is pleased to be among the some 200 people recruited for a road reconstruction project in western Kabul. In spite of having worked in road construction for more than a decade in eastern Paktia Province, he was jobless upon returning to Kabul until being recruited for this project.

“I have a wife and 11 children. We were spending from our savings when I did not have a job. I had to go through economic hardship for a period of time,” says Sameer. “However, now I am paid \$350 per month in this project.” According to Sameer, his subordinates are paid 350 afghanis (about \$5.50) a day plus two meals.

Sameer underscores the role of such projects in creating employment opportunities: “In the absence of such projects, lots of people will remain jobless, which would take its toll on the overall unemployment rate.”

The project in which Sameer works as a supervisor is part of the Kabul Urban Transport Efficiency Improvement (KUTEI) Project. KUTEI is implemented by Kabul Municipality and supported by the Afghanistan Reconstruction Trust Fund (ARTF). The ARTF’s \$90.5 million grant to KUTEI targets improvement of transport services through a package of interrelated interventions to build Kabul Municipality’s capacity.

Roads meet international standards

The road reconstruction project began in April 2014 and will be completed this year, according to Muhammad Zakeria, 45, a KUTEI staff member assigned to the project. A total of 3.3 kilometers of road that connects Deh Bori to Darulaman road will be asphalted within the timeframe. “The length of the first, second, and third roads are 1,400 meters, 906 meters, and 1,000 meters, respectively. Additionally, the width of the first road is 15 meters, the second road 21 meters, and the third road 14 meters,” explains Muhammad Zakeria.



On completion of the project, the capital city will have three more roads built to international standards, bringing the total number of standard roads to five. “These roads have a mid-road lighting system, lighting poles, traffic lines and signs, covered sewers capable of bearing vehicle weight, and, most importantly, the width is determined by the current traffic demand in mind,” says Ahmad Samim, a traffic police officer stationed at Pol-e-Sorkh intersection.

“Upon completion of this project, the traffic related issues of this part of the city will be resolved. Look at the heavy traffic today despite being a Friday. Many public offices, hospitals, ministries, the parliament, and a lot more institutions are located along this road, but when the roads are wide and standards are met, people will make it to their destinations on time without being stuck in traffic for hours,” he adds.



Central Asia South Asia-1000 Community Support Program (CASA-CSP)

GRANT \$40 MILLION

The project aims to provide access to electricity or other social and economic infrastructure services to communities in the project area in order to strengthen community support for the CASA-1000 transmission line. The project consists of four components.

In the first component, community grants for sub-projects will provide grants directly to communities to fund economic infrastructure sub-projects. Preference will be given to power sector sub-projects. In the

second component, community mobilization aims to engage communities to increase the shared prosperity associated with the CASA-1000 transmission line, which will pass through villages. It will facilitate community participation in sub-project planning, implementation, and operations and maintenance.

The third component is project implementation support. It comprises a sub-component, third party monitoring (TPM). The fourth component, communications and outreach, will finance a strong communications campaign and information-sharing activities directed at relevant stakeholders within the provinces with a special emphasis on outreach to communities in the project areas.

Work under CASA-CSP will begin once the CASA-1000 project is operational. Once im-

Nearly 700,000 vehicles operate within Kabul City but traffic congestions will soon be an issue of the past as Kabul Municipality tackles this pressing daily problem through a series of actions. Examples of action for better traffic flow include improved wider roads and parking lots, built under the Kabul Urban Transport Efficiency Improvement Project.

plementation begins, the CSP is expected to benefit communities that live along a two-kilometer 'Corridor of Influence' (COI) each side of the CASA-1000 transmission line. It is expected that there will be approximately 700 communities spread over 23 districts in six provinces, with a total of over 152,000 families along the corridor of influence. Given the terrain along the COI, as well as the unique nature of community mobilization in high-risk areas, there will be some flexibility to work with more communities outside of the COI.

Kabul Municipal Development Program (KMDP)

GRANT \$110 MILLION

Kabul Municipality is responsible for implementing the program. The program objectives are to: (i) increase access to basic municipal services in selected residential areas of Kabul city; (ii) redesign Kabul Municipality's Financial Management System to support better service delivery; and (iii) enable early response in the event of an eligible emergency.

The program is expected to deliver welfare and human development benefits to over 700,000 people through services provided in some 1,800 hectares of private land. Equipment for the roads and sanitation departments of Kabul Municipality will combat pollution and improve service delivery as well as the city environment. There will be project support to develop a plan for improving the municipality's financial management and planning capacity to deliver improved services. The plan will enhance Kabul Municipality's legitimacy when implemented.

Since approval of the KMDP on April 11, 2014, \$15.21 million have been disbursed. There are 313,885 direct beneficiaries (40 percent of the target number; 102,995 from upgrading in their neighborhoods, and 210,890 from new trunk roads) and 76,985

indirect beneficiaries, including students, teachers, and staff of several schools and institutions of higher education located within the upgraded areas. About three quarters (73 percent) of the beneficiaries are women and children. Some 11,300 tree saplings have been planted in 13 *Guzars* (neighbourhoods) with community contributions; and community solid waste collection mechanisms are functioning in most of the *Guzars*. The executed works have generated 670,456 man-days of temporary employment.

Kabul Urban Transport Efficiency Improvement Project (KUTEI)

GRANT \$90.5 MILLION

The project aims to improve road conditions and traffic flows on selected corridors of Kabul city. The project will focus on improvement of road infrastructure and provision of technical assistance to Kabul Municipality in specific areas. Investments in key road infrastructure will improve connectivity and make Kabul more inclusive, while technical and knowledge support will gradually transform Kabul Municipality into a modern planning and implementing agency by adopting best international practice. Kabul Municipality will be responsible for implementation of the project, including procurement and financial management.

Progress towards the achievement of the project development objectives will be measured through the following indicators: (a) traffic capacity improvements will be measured by average vehicle speed during off peak hours; (b) people (within a 500-meter range under the project) in urban areas provided with access to all-season roads; and (c) percentage of Kabul city's trunk road network in at least 'fair' condition.

Initial activities, including survey, design



“ Now that I see and understand the difference between good and poor quality seeds, I try to share the knowledge that I have gained with other farmers I know. ”

–Lal Mohammad, farmer, Khasa-Paz farm

AFGHAN FARMERS REAP *benefits of improved crop seeds*

- Adopting improved wheat seeds and production practices are paying off for farmers through bountiful harvests and efficient farming practices in Balkh Province.
- Access to improved wheat seeds is one of the outcomes of the wide range of actions carried out by the Afghanistan Agricultural Inputs Project to increase wheat production and productivity in the country.
- The project is implemented by the Ministry of Agriculture, Irrigation and Livestock and supported by a grant from the Afghanistan Reconstruction Trust Fund (ARTF).

The cool wind and cloudy skies make it an ideal day for farmers to work on their farms. Farmer Mohammad Ghani, 42, is working alongside other farmers, under the guidance of their supervisor, and weeding in the wheat farm where ‘Darulaman-07’ is planted.

‘Darulaman-07’ is one of six varieties of wheat seeds grown in Khasa-Paz farm this year. It is an improved wheat variety that is resistant to yellow rust and has a yield potential of 4 tons per hectare. The wheat from this type of seed seldom grows very high, Ghani says, as he works in the field.

“We work hard here, day and night. Luckily now, farmers’ conditions are better because of the improved seeds,” says Ghani, who has been working on Khasa-Paz farm in Dehdadi district, Balkh Province, for eight years.

Khasa-Paz farm, owned by the Ministry of Agriculture, Irrigation and Livestock (MAIL), produces foundation seeds that are subsequently multiplied to registered seeds. The farm is one of six Improved Seeds Enterprise (ISE) production farms that produce foundation seeds from breeder seeds produced by the Agricultural Research Institute of Afghanistan (ARIA).

ISE farms, such as Khasa-Paz farm, sell the registered seeds to 102 Private Seed Enterprises (PSEs) across the country, which in their turn use these seeds to produce certified seeds, known as ‘improved’ seeds, for sale or distribution to local farmers.

Khasa-Paz farm occupies a huge area of land of about 190 hectares, west of Mazar-e-Sharif city. It is one of the farms in northern Afghanistan that is being supported by the Afghanistan Agricultural Inputs Project (AAIP), implemented by MAIL with funding support from the Afghanistan Reconstruction Trust Fund (ARTF).

Good harvest from improved seeds

Last year Khasa-Paz farm produced 87.5 tons of foun-



ation seeds. “Improved seed is a vital input for proper crop production,” says Hesamuddin Rahimi, 28, AAIP Agronomy Manager in Balkh Province. “Khasa-Paz farm has managed to help farmers to some extent as it is one of the farms where tons of registered seeds are being produced and sent to PSEs to produce improved seeds for distribution to the market.” Both summer and winter annual plants are grown on the farm.

In Afghanistan, however, many farmers still use low quality seeds that result in poor harvests—a crucial factor in perpetuating poverty among farmers. Those who have used the improved seeds now see the difference in output.

Farmer Lal Mohammad, 35, who has undergone training supported by AAIP, says, “Now that I see and understand the difference between good and poor quality seeds, I try to share the knowledge that I have gained with other farmers I know.”

review, and procurement of civil works, started during the preparation of the project. As of July 15, 2015, implementation of two out of four National Competitive Bidding (NCB) civil works contracts (Lot 1 - 1.92 km and Lot 2 - 2.52 km) is completed and the road is opened to traffic. The progress of the remaining two contracts stands at 65 percent for Lot 3 and 10 percent for Lot 4. The procurement process for two out of four International Competitive Bidding (ICB) civil works contracts (Lot 5 and Lot 6) has been completed and the contract is ready to be awarded. The design review for Lot 8 is completed and the procurement process has started, while the design review for Lot 7 and the Wazir Abad canal is in progress.

National Horticulture and Livestock Project (NHLP)

GRANT \$100 MILLION

The National Horticulture and Livestock Project contributes to the overarching goal of increased productivity and overall production of horticultural products, and improved animal production and health. The technical strategy for achieving this objective is based on the delivery of extension and investment support through strengthened systems. The project has three components: (i) horticultural production; (ii) animal production and health; and (iii) implementation management and technical assistance support. These activities will be implemented in 120 focus districts spread over time as conditions warrant in up to 23 target provinces.

The project aims to promote adoption of improved production practices by target farmers, with gradual rollout of farmer-centric agricultural services systems and investment support. Service delivery centered on farmers will promote increased participation of beneficiaries in defining the type of services required and in the delivery itself. The project will also promote improved ratio

of overall costs reaching beneficiaries as direct investments. The aim is thus to promote sustainability, effectiveness, and efficiency.

As of August 2015, the project has financed the establishment of 7,886 hectares (ha) of new orchards (against a cumulative target of 2,000 hectares), about 34 percent of which are in new provinces. Similar substantial achievement has been recorded for rehabilitation of orchards (70,000 hectares actual against a target of 6,000 hectares). In addition, demand from target beneficiaries for kitchen gardening support has been very high, and the entire annual program was amply exceeded (58,116 schemes against a target of 20,000 schemes).

Further, NHLP continues to introduce innovative lines of investment support. It has successfully introduced production techniques to, inter alia, extend the production period of vegetables through establishment of some 900 production schemes based on the use of micro greenhouses; create a culture of high productivity dry land cultivation, by having already supported establishment of 1,240 ha—a cumulative target of 200 ha—of pistachio orchards with high yielding varieties; and promote modernization of horticulture sector, through establishment of 26 ha of demonstration plots of high and medium density orchards. Furthermore, 5,000 producers applied integrated nutrient practices, while the spot irrigation method was implemented in 823 ha and 50 drying houses to improve production and quality of raisins were constructed.

Regarding improved livestock production, NHLP is supporting MAIL compliance with its Sanitary Mandate (SM). It is doing so by supporting improved Extension and Veterinary Services delivery through private Veterinary Field Units (VFUs), and through establishment of an Animal Health Sanitary Mandate Contracting Scheme (AHSCS). NHLP conducted SM training for 168 VFUs and 76 Provincial Veterinary Officers. On the production side, the delivery so far of extension messages has been carried out along with distribution

of improved technology packages to 31,540 beneficiaries—against a cumulative target of 30,000—in 138 districts of 19 provinces.

The establishment of AHSCS initially focused on a brucellosis control program in 360 districts of 34 provinces. Through this program, 782,000 young cattle (20 percent of the whole population) and 4 million young sheep and goats (20 percent of sheep and goat population) have already been vaccinated.

Non-formal Approach to Training Education and Jobs in Afghanistan Project (NATEJA)

GRANT \$15 MILLION

The project aims to increase the potential for employment and higher earnings of target-



New horticultural methods introduced by the National Horticulture and Livestock Project in Kabul Province are resulting in higher productivity and healthier crops. The positive results are encouraging farmers to adopt the new methods. "For the first time, our grapevines have grown so well because of the new trellis system. It makes me very happy to see that our hard work is paying off," says a farmer with 20 years of experience in horticulture and agriculture.

ed young Afghan women and men in rural and semi-urban areas through non-formal skills training. The project consists of three components.

Component 1: Improving Access to Non-formal TVET Training. The premise of this component is that a significant share of young women and men aged 18 to 35 in Afghanistan is unskilled and illiterate. They enter the labor force totally unprepared to compete in the labor market, and are unable to find jobs and earn a decent living. As a result, many of them are easily susceptible to engaging in anti-social activities, which may breed insecurity and instability in the country.

Component 2: Improving the Quality of Non-formal Training and the Labor Market. Incentives will be given to non-formal training providers if the employment rate of their graduates meets a stipulated benchmark. The rationale for this intervention is that incentives directly linked to labor market outcomes are likely to encourage service providers to actively seek employment

for their graduates. It is also based on the premise that labor market outcomes (e.g., earnings and employment) cannot improve unless the quality of non-formal training itself improves. Therefore, non-formal training providers are incentivized to ameliorate the quality of their training so that they can better respond to the demand from employers seeking qualified semi-skilled labor who are productive enough to help them raise their profitability.

Component 3: Strengthen the Institutional Capacity of Ministry of Labor, Social Affairs, Martyred and Disabled in key areas such as (i) procurement, (ii) financial management, and (iii) labor market information systems and monitoring.

Progress so far include ongoing integration of NATEJA into the Directorate General of Skills, which is expected to be completed by May 2016. The environmental and social assessment study of aspects of the project is complete. A consultative discussion with stakeholders for identification and development of 10 priority occupations for certification and curriculum development was recently completed. Templates and guidelines for an entrepreneurship grant have been revised.

Second Public Financial Management Reform Project

GRANT \$73 MILLION

The project objectives are to strengthen public financial management through effective procurement, treasury and audit structures, and systems in line with sound financial management standards of monitoring, reporting, and control.

Project components include:

1. Procurement Reform Services of a Procurement Facilitation Consultant: to provide support for centralized oversight al-

though with some deployment of staff to the line ministries. Under the Procurement Policy Unit in the Ministry of Finance, advisors are completing the development and implementation of a procurement management system and continue to roll-out training in procurement, both centrally and in provinces for all line ministries.

2. Financial Management Reform Operations: to support policy assistance to the Treasury Department to assure high quality performance; the focus will be to mainstream these functions in the civil service staff. The consolidation of the roll-out of Afghanistan Financial Management and Information System (AFMIS) to the provinces is also financed as well as support for the development of administrative systems for the line ministries. Capacity development in financial management functions, throughout the public sector, is also financed. Additionally, support is also given for establishing the legal framework for and contributing to the training of professional accountants in Afghanistan.

3. Audit Reform and Performance: Internal Audit – to finance the services of consultants to lead key internal audits and to provide on-the-job training. Basic training to all internal audit staff is supported; more advanced training is also provided to staff who have completed the basic training. External Audit – to provide assistance to the Supreme Audit Office (SAO) to develop its knowledge, expertise and practices in using the services and results of other auditors and experts in line with International Auditing Standards, in particular for project audits. Support also given for consultant services to train staff and lead high quality independent review of all operations under the budget of nine line ministries over the project period. Support also given to finance training of members of the Public Accounts Committee.

4. Reform Management: to provide support to monitor technical assistance and report on benchmarks of the Public Financial

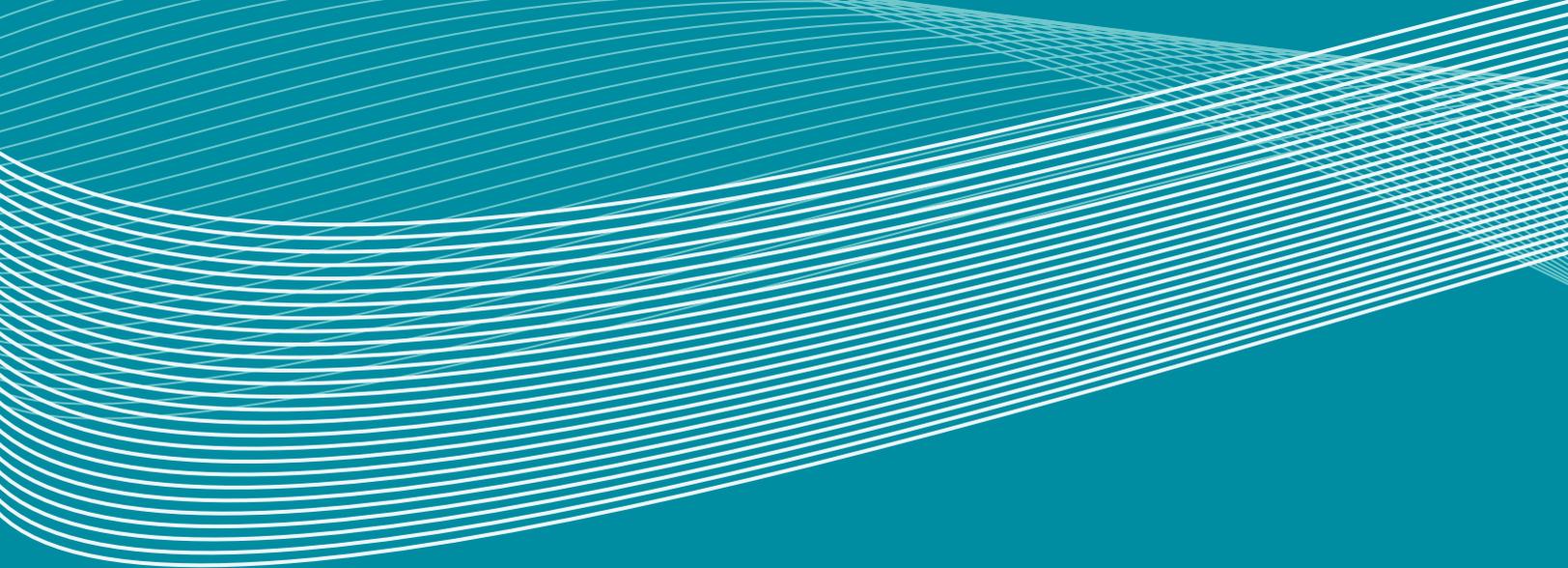
Management Roadmap. Support also provided for human management reform in the ministry.

Progress to date include the establishment of the legal framework underpinning public financial management in Afghanistan. The government can now prepare and pass a comprehensive budget in an orderly and transparent manner. A government-wide integrated financial management information system is in place.

Outcomes of the progress made include: (a) all transactions under the budget are now effected online through AFMIS with the corresponding benefits of automated controls; (b) monthly financial statements covering central government have been published and operating units can produce on their own customized statements of updated budget execution reports from AFMIS at any time; (c) audited annual appropriation statements of government expenditures (Qatia) are submitted to parliament within six months of the end of the fiscal year in accordance with public financial management law; and (d) 450,000 government employees have been registered under the verified payroll program, of whom 290,000 are receiving salary through direct transfer to their bank accounts.

Project support to Afghanistan's centralized procurement oversight has been mobilized and the National Procurement Authority, as successor to the Procurement Policy Unit, continues to assist with the reorganization, development, and assessment of procurement units in the line ministries.

Note: All dollar figures are in US dollar equivalents. IDA, the International Development Association, is the World Bank's concessional lending arm.



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