

The World Bank Group in Afghanistan

QUARTERLY COUNTRY UPDATE

JANUARY 2010

Key highlights to date:

- By January 2010, the World Bank had 24 active projects in Afghanistan with net commitments of over US\$886 million.
- IFC now has an investment portfolio totaling more than \$90 million in six companies.
- Since early 2002, 31 donors have contributed over US\$3.4 billion (as of November 21, 2009), making ARTF the largest contributor to the Afghan budget for both operating costs and development programs.
- Over 34,812 rural infrastructure projects were completed under the oversight of community development councils.
- More than 434,000 needy people (about sixty percent of them women) benefited from microfinance services in 27 provinces.
- Over 9,524 Community School Shuras have been established to oversee the rehabilitation or construction of school buildings and the provision of quality inputs such as teaching and learning materials.
- Eleven partnerships have been formed between five Afghan universities and eight established overseas universities to progressively restore basic operations at universities in Afghanistan.
- In 18 provinces, the number of health facilities has nearly tripled since 2003 from 148 to 421.
- Around 20,000 community health workers—half of them women—have been trained and deployed throughout the country.
- Health service utilization increased among project area populations from an annual rate of 0.3 consultations per capita at the outset to 1.64 per capita by the mid 2009.
- Customs revenues increased by more than 700 percent in Solar Year 1387 (2008/09).

INTRODUCTION

Afghanistan has completed another challenging year. During 2009, security conditions across the country steadily worsened and, based on the United Nations data, showed that violent incidents increased by 45 percent in the first half of 2009 compared to the same period in 2008. On August 20, Afghans voted to elect their president, for the second time in the country's history. The election process, as well as its results, has been highly contentious, putting yet more pressure on the government to build its legitimacy and relevance amongst the Afghan people. Despite these extraordinarily difficult circumstances, Afghanistan has made some remarkable achievements notably: more girls and boys are at school than at any time in Afghanistan's history, child mortality has been reduced substantially, more Afghans, especially women, have access to health care and the government's national community development program is bringing development to thousands of communities in every province in the country. In addition, the budget process has been strengthened further, and there are improvements in public financial management and procurement. Concerns remain, however, about increased insecurity, drug production, and widespread corruption that has put at risk further advances in state-building, as well as about other areas critical for growth and employment generation. Transparency International's annual Corruption Perceptions Index (CPI) ranked Afghanistan as the world's second most corrupt country.

An international conference on Afghanistan is being organized for 28 January 2010 in London. The United Kingdom has agreed to host the conference where representatives from the international community as well as international organizations are expected to attend. The conference is expected to foster a renewed partnership between Afghanistan and the international community in addressing Afghanistan's challenges and achieving lasting peace and security in the country.

On 19 December 2009, President Karzai introduced his 24 proposed new ministers to the Wolesi Jirga (parliament) with one minister yet to be named (minister of foreign affairs). Over a two week period, the Jirga completed the process of listening to the plans and programs of each minister-designate. On 2 January 2010, the Jirga gave a vote of confidence to only 7 out of the 24 proposed ministers, rejecting the rest. The government also proposed the creation of two additional ministries – Ministry of Literacy and Ministry of Martyrs and Disabled People – which would increase the number of ministries from 25 to 27. However, the parliament, by majority, rejected the

proposal. President Karzai is now expected to reintroduce his new nominees for the 17 cabinet positions that the Jirga did not approve.

On 15 December 2009, President Karzai opened an anti-corruption conference in Kabul aimed at finding ways to address the issue of corruption. Addressing the conference, President Karzai said he was well aware of the scale of the problem. "I know corruption exists in the government and elsewhere. Let's be realistic," he said. Large-scale reforms were required to root out graft. The three day conference was attended by more than 450 participants from the three branches of the State, civil society, university professors, scholars, intellectuals from Kabul and the provinces and many representatives of international organizations. At the end of the conference, participants came up with a number of recommendations, which the government of Afghanistan assured it would peruse as it struggles to combat corruption. It was a positive, but very preliminary step.

WORLD BANK GROUP SUPPORT

Since April 2002, the World Bank has committed over US\$1.9 billion for development and emergency reconstruction projects and four budget support operations in Afghanistan. This support comprises over US\$1.46 billion in grants and US\$436.4 million in no-interest loans -known as "credits." Currently, the Bank has 24 active projects in Afghanistan with net commitments of over US\$886 million.

So far, a number of Bank-financed projects have been completed which include the rehabilitation of education, emergency public works, the reconstruction of infrastructure, emergency transport rehabilitation, health sector reconstruction, emergency communications project and the first phase of a public administration project as well as four budget support operations. For more information about closed projects, please visit: www.worldbank.org.af – Projects & Programs page.

The World Bank's **Interim Strategy Note (2009-11)** is aligned with Afghanistan's National Development Strategy (ANDS) and is designed around three main pillars:

Building the capacity of the state and its accountability to its citizens: The Bank will continue to strengthen core government systems as the basis for credible state building, through efforts to strengthen public financial management, fiscal sustainability, and improved transparency and accountability, while integrating the results of vulnerability-to-corruption assessments into ongoing work streams.

Promoting growth of the rural economy and improving rural livelihoods: Given the magnitude of needs and the overall importance of the rural economy for growth and poverty reduction, support to the rural economy and livelihoods will remain a priority for the Bank. Rural programs also serve as important entry points for shifting economic incentives away from opium and toward alternative, legal high-value agricultural products.

Supporting growth of the formal private sector: The World Bank Group will continue to address the overall constraints to private sector development through lending and advisory work as well as identify and address specific measures that catalyze business growth. It will also invest directly in local companies, including banks, to help them expand business.

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

IFC (International Finance Corporation), a member of the World Bank Group, continues to work with its investment partners in Afghanistan. IFC now has an investment portfolio totaling more than \$90 million in six companies. This includes commitments in the financial (First Microfinance Bank of Afghanistan, BRAC Afghanistan Bank, Afghanistan International Bank), telecom (MTN Afghanistan), hospitality (Serena Kabul Hotel) and healthcare (Acomet Family Hospital) sectors. Moreover, IFC continues to work on its pipeline of projects in a variety of sectors in order to expand its Afghan investment portfolio.

IFC's Advisory Services continue to support the development of Afghan SMEs through its Business Edge management and business skills training program, which was launched in Afghanistan in June 2009. During the month of December, trainers from the three accredited training providers for Afghanistan attended several capacity building workshops delivered by IFC Business Edge master trainers. The three training providers also organized and delivered their own "teaser events", which attracted numerous potential customers interested in Business Edge trainings. These activities were

Japan Social Development Fund

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

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

complemented with a number of awareness raising activities undertaken by the IFC Business Edge project management team with key stakeholders. Additionally, IFC's Advisory Services continue with their engagement in strengthening the Afghan financial sector through capacity building of various financial institutions, assisting the government to establish regulatory frameworks for leasing, as well as advising the Central Bank in establishing credit and collateral registries.

The Afghanistan Reconstruction Trust Fund (ARTF) is a partnership between the international community and the Afghan government for the improved effectiveness of the reconstruction effort. Since early 2002, 31 donors have contributed over US\$3.4 billion (as of November 21, 2009), making ARTF the largest contributor to the Afghan budget – for both operating costs and development programs. ARTF's support for national priority programs, for operating costs of government operations, and for the policy reform agenda is contributing to the achievement of the Afghanistan National Development Strategy goals. More than US\$1.8 billion has been disbursed to the Government of Afghanistan to help cover recurrent costs, such as civil servants' salaries, and over US\$761 million had been made available for investment projects.

The Japan Social Development Fund (JSDF), administered by the World Bank, has provided a special window for Afghanistan which operates in a harmonized manner to support the national programs of the government. As of December, 2009, JSDF's current commitment to Afghanistan had reached US\$32.9 million. A number of JSDF financed projects have been completed so far. For more information, please visit <http://go.worldbank.org/U5OQZVF200>.

STATUS OF ONGOING OPERATIONS

Emergency National Solidarity Project (NSP) (US\$306 million Grant, US\$518 million ARTF Grant and US\$15 million JSDF Grant): This is the Government of Afghanistan's flagship program to support small-scale reconstruction and development activities identified by Community Development Councils (CDCs) across the country. The World Bank is one of the main sources of financing for the NSP. Other sources include the ARTF, the JSDF, and several bilateral contributors. Between early-May 2003 and December 2009, the NSP has reached over 19 million Afghans. Approximately 22,480 communities have been mobilized, and 22,202 communities have successfully elected Community Development Councils (CDCs). These CDCs are established through the assistance of 29 NSP Facilitating Partners who mobilize the community, facilitate elections and community development planning through community consultation, assist in project preparation and implementation, and also provide capacity building to CDC members.

Approximately 50,778 community subprojects have been partially or fully financed, of which some 34,812 subprojects have been completed. About 80 percent of the community subprojects involve infrastructure such as irrigation, rural roads, electrification, and drinking water supply, all critical for the recovery of the rural economy, stability, and governance. The community subprojects financed under the NSP focus on social and economic infrastructure and are based on the priorities of the rural population. Of the currently funded



Villagers working to build a local road in a remote district in northeastern Badakhshan Province.

community subprojects, 24 percent address water and sanitation issues, 16 percent rehabilitate irrigation systems, 24 percent improve transportation infrastructure (e.g. roads, bridges), 15 percent provide energy (e.g. micro-hydro, solar energy), 5 percent improve livelihoods and income-generation, 14 percent work on education infrastructure, and 2 percent go towards other investments. The NSP is active in 359 of Afghanistan's 364 districts and all of Afghanistan's 34 provinces. As of December 20, 2009, over US\$683 million of block grants had been disbursed to CDCs.

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

National Rural Access Program (NRAP)

Currently there are two ongoing projects under the overall NRAP umbrella funded/administered by the Bank. Please see ARTF (further down) for the status of the ongoing and recently completed projects.

National Emergency Rural Access Project (NERAP) (IDA US\$112 million and US\$50 million ARTF Grant): The World Bank continues to support the government's rural access program. Following the successfully completed National Emergency Employment Program for Rural Access project (NEEPPRA), the Bank, on December 13, 2007, approved a grant of US\$112 million for the National Emergency Rural Access Project. In keeping with the overarching objectives of the program, the project aims to provide year-round access to basic services and facilities in the rural areas of Afghanistan to enhance the well being of the population and promote economic growth in the country. Under the project, secondary roads are being rehabilitated by the Ministry of Public Works (MPW) and tertiary roads by the Ministry of Rural Rehabilitation and Development (MRRD). The project proposes to rehabilitate approximately 1,540 km of rural roads and some 9,000 meters of drainage structures, generating 2.13 million unskilled labor days of employment. As of December 2009, out of 83 secondary roads and drainage contracts planned/agreed to be undertaken by MPW, 8 contracts (137 km. road and 83 m. drainage work) were completed, 41 contracts (356 km. road and 563 m drainage works) were in progress, and 34 contracts (325 km. road 411 m drainage works) were under development and at the procurement stage. For tertiary roads, out of the 173 contracts planned by MRRD, 63 contracts (255 km. road and 2412 m. drainage works) were completed, and 76 contracts (336 km. road and 6022m. drainage works) in progress, 37 (334 km. road and 6022m. drainage works). The MPW has generated about 804,379 labor days of employment so far, and the MRRD about 588,026 labor days. Out of the total budget of US\$104 million allocated for both MPW and MRRD for road rehabilitation, drainage works and routine maintenance, US\$32.2 million has been disbursed to date.

Expanding Microfinance Outreach and Improving Sustainability Project (MISFA) (US\$30 million Grant and US\$183.3 million ARTF Grant): The project aims to assist the government in developing a sustainable microfinance sector that will provide flexible, convenient, and affordable financial services to poor people. The goal is to build an integrated financial sector and remove the barriers that separate microfinance from the broader mainstream financial system. Since its inception in 2003, the project has provided more than US\$172.5 million in funds, including US\$118.2 million in loans. There are now 15 microfinance institutions (MFIs), with a network of 309 branches in 27 provinces, and more than 434,000 savings and loan clients. To date, the program has disbursed a total of 1.4 million loans across Afghanistan worth US\$701 million. As of October 2009, the gross loans outstanding were US\$108 million. Sixty one percent of the clients are women, and the loan repayment rate is 94 percent. The sector now employs 4,159 people, approximately 1,558 of whom are women; and over 90 percent of professional positions and 50 percent of management positions in the sector are occupied by Afghans. According to findings of the Baseline/Impact study of the microfinance sector conducted in 2007, each MFI loan supports or creates 1.5 employment opportunities in Afghanistan. The project is also expanding in the seven poppy-growing provinces identified by the government to provide alternative livelihood opportunities to poppy-growing farmers. More information is available at <http://www.misfa.org.af>.

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



A road being paved through NERAP to connect people in Dand district with Kandahar city in southern Kandahar Province.

Procurement Advisor: The procurement advisor has facilitated 808 government contracts valued at US\$2.1 billion. A new procurement law has been enacted and related regulations and bidding documents have also been prepared along with standard bidding documents.

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

Financial Management Operations Advisor: An integrated accounting, budget control and check issuance system has been operating in the Treasury Department in the Ministry of Finance since October 2002. All budget transactions are recorded in this system which generates timely and comprehensive reports on the government's budget execution and financial position. This system has been expanded to all the line ministries in Kabul and 18 of the provincial offices of the Ministry of Finance and some line ministries, and new programs are being added to support purchasing and control of assets.

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

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

The Education Quality Improvement Program (EQUIP) consists of two projects: 1) EQUIP I (US\$35 million IDA Grant and US\$44 million ARTF Grant) started in August 2004; and 2) EQUIP II (US\$30 million IDA Grant and US\$171.74 million ARTF Grant) which was launched in May 2008. The program provides district-based teacher training and grants directly to communities nationwide. EQUIP is fully aligned to the Ministry of Education's National Education Strategic Plan (NESP 1385-1389) and enjoys multi-donor support from the ARTF. Funds are used directly by communities through School Shuras for the rehabilitation or construction of school buildings and for accessing quality inputs, such as teaching and learning materials. The School Shuras are functioning in all provinces, and, as of now, 9524 out of 11,000 schools have these Shuras. Shuras are assisted by the Provincial Education Departments, NGOs and District Educational Departments in all 34 provinces. EQUIP II supports the District Teacher Training Program in 23 provinces (the 11 other provinces are supported by the USAID). It also provides regional allowances



A microfinance borrower in Kabul city repays a loan installment.



Children walk out of newly-built classrooms at Rokhshana High School in Kabul.

for lecturers in 730 Teacher Training Centers (TTC) as well as scholarships for 2750 girls to attend Teacher Training Colleges for two years, following which they are to join the teaching force in their local communities. It also supports the monitoring and evaluation of NESP (National Education Strategic Plan) programs, including the now established Education Management Information System at the Ministry of Education. In December 2007, the MOE successfully completed the school survey of Solar Year 1386. Updated survey data can be found on the MOE website <www.moe.gov.af>. It is envisaged that by the close of the two projects in 2012, some 1,575 schools will have been built, with a priority on girls' schools; 9524 School Shuras formed and active, with 1315 more Shuras to be formed; over 110,000 teachers and around 9000 school administrators trained; 2750 girls in 25 provinces receiving scholarships to complete their two-year studies at TTC; and 750 qualified lecturers recruited in 18 provinces. For EQUIP II, the ARTF Management Committee recently approved its first phase of support of US\$35 million for 1388; additional funds will be disbursed in subsequent phases based on the results.

Strengthening Higher Education Program (SHEP) (US\$40 million Grant and US\$32 million ARTF Grant): The program aims to progressively restore basic operations at six core universities in Afghanistan — Kabul Polytechnic University, Kabul University, and four regional universities (Balkh, Herat, Kandahar, and Nangarhar) — through partnership programs with universities in the region and in the West, as well as through competitive block grants. Funds will also be provided to set up an institutional base to develop an agenda for tertiary education, capacity building and reform. The program is envisaged as the first phase of a long-term higher education development program in Afghanistan that will act as a catalyst to attract various resources to the Afghan tertiary education sector.

Under this program, eleven partnerships have been formed for five of the six participating universities with eight established overseas universities. These partner universities include: Kansas State University (USA), University of Hartford (USA), San Diego State University (USA), Asian Institute of Technology (Thailand), University of Brighton (UK), Delhi University (India), Ruhr Bochum University (Germany) and Technical University of Berlin (Germany), focusing essentially on Engineering, Computer Science, English Language, Natural Science and Economics/Management. The usage of block grants to procure books, teaching materials, and IT equipment, and to rehabilitate libraries and classrooms and equip laboratories is continuing. Also, SHEP, with the support of other development partners such as UNESCO and USAID, is supporting the Ministry of Higher Education in planning a 5-year strategic development framework for the higher education sector, aligned to the goals of the ANDS.

The ARTF Management Committee approved blanket commitment of US\$32 million to support the construction of faculty buildings, libraries, and gymnasiums, as well as master plans and other activities to improve academic delivery in the universities of Balkh, Kandahar, Nangarhar, and the Kabul Polytechnic. The first phase of the ARTF funded activities is currently underway with US\$5 million in the form of a Development Grant Agreement (DGA) that essentially



The newly built six-room building for the Sofi Sahib High School in southern Kandahar Province.

covers design consultancy costs as well as the cost of supervising the construction of the buildings. Contracts for these activities have been signed for the Universities of Nangarhar, Balkh and Kandahar and actual work has resumed.

Afghanistan Skills Development Project (US\$20 million Grant and US\$18 million ARTF): The project is designed to increase the number of skilled Afghans and create a high-quality Technical Vocation and Education Training (TVET) system that is equitable, market responsive, and cost-effective. More specifically, the project aims to develop a demand-driven vocational education and training system, and give training institutions autonomy to plan and customize their programs and establish partnerships with experienced national and international training providers. The project has 4 components:

Component 1: Mainly focuses on the establishment of the Afghanistan National Qualifications Authority; Afghanistan National Qualifications Framework and Awarding Boards. Preliminary setup and staffing have been finalized for the Committee on Education and Skills Policy (CESP). Hiring of an expert consultant firm is in progress to do the above mentioned activities within 24 months after signing of the contracts.

Component 2: In pursuance of its mandate to be a model TVET institution, National Institute of Management and Administration (NIMA) has been established and it implements competency-based curricula for its academic programs. The Maxwell Stamp PLC (MSP) took over the academic management during the second semester with 1,700 students. A significant feature is a Placement System where a cooperation-type sustainable industry- institution linkage is being forged necessitating the development of competencies demanded by the industries. To lend credence to the programs, the MSP through the University of Jyväskylä will provide international accreditation to the programs and possibly national accreditation in the event the Afghanistan National Qualifications Authority becomes operational. Four computer laboratories have been equipped initially with more or less 100 computers while the remaining 350 units are in the tendering stage. Several TVET institutes are also being supported by the Project: the Afghanistan National Institute of Music (ANIM), the Blind School, Auto-Mechanical Institute, Construction Institute, Women's Dormitory and some buildings for the Deputy Minister TVET's (DMTVET) headquarters.

After a comprehensive evaluation of the DMTVET and its institutes, the German Education and Training (GET) has undertaken a systems, procedures and processes reorientation to prepare the Deputy Ministry for a decentralized structure. Policy recommendations were put forward, and capacity building interventions have started to prepare the Deputy Ministry for a decentralized management system. This covers human resource management, curriculum development, quality assurance, teacher training, planning and organization, among others. As a result of this, interventions and capacity building measures are identified and designed for implementation.

In addition, the project has provided support to TVET buildings and campuses in need of renovation and physical rehabilitation. The physical up-gradation activities undertaken are: Construction of the Afghanistan National Institute of Music: Renovation of the ANIM (50 percent complete); Construction of New Buildings for the Music School; Construction of Alternative Building for Auto-mechanical School; Construction of Auxiliary Building; Construction of Women's Dormitory; among others. The Project has likewise provided funds for the purchase of: equipment for the Blind School, such as audio equipment, stationary, slide board, stile (chalk), walking stick, laptop and Braille computers; and Western Musical Instruments for ANIM.

Component 3: The NSDP has signed four contracts with the training providers (ARSSO, HECAW, AADA and HAFO) to train 2500 unemployed youths for waged and self employment in Khost, Zabul, Uruzgan and Kandahar provinces. The project implementation is in progress and overall average progress in this is 50 percent. Another five contracts with the training providers (DRSA, PADA, AADA, HEWAD and HDCAW) have been signed to train 2500 chronically poor women for waged and self employment in Badakhshan, Samangan, Bamyan, Ghazni, and Paktika provinces. The training is in progress and overall average progress in this group is 60 percent. The NSDP has signed contracts with training providers (AKF, TACC and HAFO) to train marginalized and lead farmers in Kunduz, Baghlan, Faryab and Helmand provinces. The training is going well and the overall average progress in this group is 45 percent. For the Training of Trainers (TOT) for Business Development Services (BDS) and the development of contextualized productive skills curriculum materials to support the UN-Habitat Learning and Community Empowerment Project 2 (LCEP-2), the NSDP has initiated the procurement process to outsource this activity to some competitive consultants. The main purpose of these interventions is to improve the livelihoods of the above groups, and especially those who can benefit from training in improved production and marketing methodologies, and more diversification.



A teacher dictates to a child in a primary school in northeastern Kunduz Province.

A curriculum and material development specialist has been hired to support the NSDP curriculum and standards development team in development of Competency Based Training standards at different level for the most demanded skills. So far 67 standards have been developed by the team and some of these have already been introduced to the training providers.

The Government of Norway and USAID are co-financing the project in the amount of US\$9 million and US\$6 million respectively. The project is expected to be completed by February 2013.

The Strengthening Health Activities for Rural Poor Project (SHARP) (US\$30 million Grant, US\$17.9 from JSDF): SHARP aims to improve the health and nutritional status of Afghans, focusing especially on women and children and the underserved areas of the country. The project supports Afghanistan's Health and Nutrition Sector Strategy, which is the blueprint for the government's health sector program for the period 2008-13.

The National Risk and Vulnerability Assessment 2007/08 indicate good progress in reducing infant and under-five mortality. Infant and under five mortality in 2008 has declined to 111 (13 percent reduction) and 161 per thousand live births (15 percent reduction) respectively from 129 and 191 per 1000 live births respectively in 2006. With the World Bank support in 18 provinces since 2003, the number of health facilities has nearly tripled from 148 to 421. Health service utilization increased among project area populations from a rate of 0.3 consultations per capita annually at the outset to 1.64 per capita by the mid 2009. Health care for expectant mothers expanded, with the number of deliveries assisted in facility by trained health workers jumping from 6 percent to 24 percent. The number of pregnant women who received at least one prenatal care visit rose from 11 percent in 2004 to 49 percent in 2008. Child immunization rates are still low but have improved from 12 percent in 2005 to 33 percent in 2008. Around 20,000 community health workers—half of them women—have been trained and deployed throughout the country, increasing access to family planning and boosting childhood vaccinations. The number of facilities with trained female health workers rose from 25 percent before the project to 74 percent today.

SHARP finances provision of the Basic Package of Health Services in eight provinces (Helmand, Farah, Badghis, Nimroz, Samagan, Balkh, Wardak, and Saripul) through national and international NGOs contracted out by Ministry of Public Health (MoPH). So far the MoPH has signed contracts with five NGOs to provide a basic package of health services in five provinces (in Helmand – BRAC/ACTD, Nimroz – BRAC, Farah – CHA, Samangan and Saripul – SCA/ACTD). Contracts for the remaining provinces (Badghis, Balkh and Wardak) are under process. SHARP also supports monitoring and evaluation of health services in Afghanistan by financing a third party agency to conduct annual balance scorecards for primary health care facilities and hospitals.

SHARP plans to introduce an innovative results-based financing (RBF) mechanism to improve coverage and quality of services in health facilities. The RBF design has been finalized and with the signing of the Grant Agreement, funds are available to finance the



A doctor examines a child in Charikar provincial hospital in central Parwan Province.

scheme. RBF is on track to start implementation in early 2010. In addition, recently US\$17.9 million has been approved through JSDF to co-finance the SHARP project. This will allow the project to provide BPHS (Basic Package of Health Services) services for Balkh, Samangan and urban Kabul for the coming 3 years.

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

Since its approval in July 2007, the project has contributed to strengthening the capacity of the National Aids Control Program (NACP) through (i) recruitment of seven national advisors and one international advisor; (ii) participation of NACP staff in national/international training activities; and (iii) exposure of NACP staff to well performing HIV/AIDS programs abroad. The increased capacity of NACP has resulted in the adoption of the Afghanistan HIV Code of Ethics, an important milestone for the support and protection of people living with HIV/AIDS in the country. To achieve its objectives, the NACP has signed 11 contracts with national and international organizations, and the harm reduction activities have been initiated. The surveys in most-at-risk groups have started in early 2009.

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

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

Despite the deteriorating business environment which impeded the flow of foreign direct investment to Afghanistan, the AIGF has been making steady progress. To date, a total of six guarantees have been underwritten with the AIGF for five beneficiaries covering the agricultural, financial, pharmaceutical, construction, and telecommunication sectors. There are potential projects which are now being examined. It is expected that some more guarantees will be underwritten shortly. The total associated foreign investment of the projects under the AIGF is about US\$107 million with approximately 730 jobs created as a result. Given the importance of the project in attracting foreign direct investment, and at the request of Government of Afghanistan, the closing date of AIGF has been extended for two years from September 30, 2009, to September 30, 2011.

The Emergency Customs Modernization and Trade Facilitation Project (ECMTFP) (US\$31.2 million Credit and US\$6.81 million Grant): Since 2004, the project has been supporting Afghanistan's efforts to increase customs revenues, reduce transport-related trade costs, stimulate trade, reduce corruption, and streamline customs procedures at border crossings. As of June 2009, all project funds were committed and most project targets surpassed. Customs revenues increased by more than 700 percent in Solar Year 1387 (2008/09); this was largely attributable to computerized control over transit shipments, tighter control over the clearance of goods, and the enhanced capacity of the Afghan Customs



Customs officials using Automated System for Customs Data (ASYCUDA) in Mazar-e-Sharif customs department in northern Balkh province.



Local villagers clean an irrigation canal in eastern Laghman Province.

Department (ACD) staff. Trade volume has increased many times over compared to the start of the project. One of the project's key achievements has been the automation of customs processes with the Automated System for Customs Data (ASYCUDA). Customs processes have been automated at major Inland Customs Depots (ICD), including at the Kabul Airport which receives approximately 55 percent of all the country's customs declarations. Similarly, ASYCUDA is now functional at four major transit axis which receive some 65 percent of Afghanistan's transit trade by value. In addition, the supporting communications infrastructure has also been modernized with VHF/HF radios and VSAT VPN networks connecting key customs locations. Key infrastructure facilities have been constructed including the Customs and Revenue headquarters building in Kabul, the Inland Customs Depot building at Jalalabad, as well as truck parking facilities and other allied infrastructure. The Trade Facilitation component of the project has also demonstrated good results. A recent highlight has been the start of the negotiations process of the Afghanistan Pakistan Transit Trade Agreement (APTTA) which was prepared with the help of the project. Moreover, the Afghan National Standards Authority (ANSA), which was established with the help of the project, has now been approved as an independent government standards organization.

As the original project funds have all been committed, additional financing of US\$ 7 million was recently approved. The funds were secured to finance select activities which are most critical to achieving the project's development objectives. At the request of the Government, the team is exploring the possibility of preparing a follow-on project to be approved in the first quarter of FY2010. The new operation will be contingent upon the Government of Afghanistan undertaking a concrete program of customs reform that addresses the governance issues in the sector.

The Emergency Irrigation Rehabilitation Project (US\$40 million Credit, US\$86.5 million Grant, and US\$6 million Government Funds): The project is helping to provide water to farms in the project areas, with more reliable and equitable distribution of irrigation water. The rehabilitation of the national irrigation system in all five river basins of Afghanistan will help increase agricultural productivity and farm income, improve food security and livelihoods, and reduce vulnerability due to droughts. To date, six regional offices in Kabul—Jalalabad, Kandahar, Balkh, Kunduz, and Herat—have been established to develop institutional capacity at the local level. As of 31 October 2009, 753 subproject proposals, costing about US\$80.9 million, had been prepared. Of these, 717 subprojects totaling US\$74 million have been approved; contracts for 696 subprojects worth US\$57.6 million are ongoing; and 604 subprojects worth US\$43.4 million have been completed. In addition, the first phase, under contract for emergency repair of the Band-e-Sultan Dam, costing about US\$500,000, has been completed. The work under the Feasibility Study of the Lower Kokcha Irrigation and Hydropower Multipurpose Project on the Kokcha River in the Amu River Basin was also completed. Further development options are proposed to be studied. Installations of 104 of the 174 hydrology stations in different part of the country are complete and installations of the remaining stations are ongoing.



A street and side drain being built in a Kabul neighborhood.

Kabul Urban Reconstruction Project (US\$25 million Credit and US\$5.6 million ARTF Grant): This is a community driven project that attempts to empower and develop historically neglected urban communities, particularly in informal or slum areas, to identify, plan, and monitor needed development projects in their neighborhoods. The project supports the reconstruction and rehabilitation of 20 of Kabul's neighborhoods/gozar where the majority of the urban poor live in informal settlements, including four neighborhoods in the Old City of Kabul.

Through community-based Gozar Cooperative Shuras, community needs are integrated into a Community Upgrading Plan (CUP) covering water supply, access roads and drains, sanitation, solid waste management, and street lighting (i.e. urban services). The CUP is converted into engineering designs, cost, and implemented to achieve an outcome of improved infrastructure in response to community needs for 92,000 residents of Kabul. Thus far, the project work is ongoing in all targeted neighborhoods. Almost 60,000 persons have already received improved services, and approximately another 60,000 are in the process of receiving services. As of November 30, 2009, the project has provided 92 kms of improved access to homes through grading and surfacing roads, the provision of hillside steps and sidewalks, the repair and construction of 120 kms of tertiary storm drains and 87 of water supply lines, improvement to 6,514 existing latrines, implementation of a solid waste collection system where a collector/sweeper contracts with the Shura, and health and hygiene campaigns on clean water and sanitation. Furthermore, 7,017 street lighting systems have been installed so far.

The Emergency Power Rehabilitation Project (US\$105 million Credit and US\$20 million ARTF Grant): The project is working to provide improved and more reliable supply of electricity to the residents of Kabul. It is doing so by rehabilitating and expanding city distribution networks; connecting the Kabul city grid to the future North East Transmission System to allow for the import of lower cost power from Uzbekistan into the city; rehabilitating the 100 MW Naghlu Hydropower Plant (the largest hydro generation station in Afghanistan which supplies power to Kabul) and the associated transmission line; and restructuring and commercializing the power utility to improve service delivery.

The implementation of project components is progressing well. Rehabilitation of 110kV transmission line from Naghlu to Kabul; 110 kV new transmission lines from Chimtallah substation to Kabul North-West; 110 kV lines from Kabul North- West to Kabul North substation; supply and installation work of optical fiber ground wire for Phul e Khumri to Chimtalla 220 kV transmission line and rehabilitation of 110 kV North-West substation have been completed and are helping import electricity from Uzbekistan. Delays have been faced in completion of some components of the project due to difficulties in transportation, right of way (ROW) selection, security, etc. On the institutional side, all former DABM (Da Afghanistan Brishna Mossasa) staff as well as the utility's assets and liabilities have been provisionally transferred to the new corporation DABS. DABS (Da Afghanistan Brishna Sherkat) will appraise the DABM assets and liabilities and decide upon the final valuation jointly with the Ministry of Finance. The DABS is expected to be fully operational by March 21, 2010 and hopes to benefit electricity consumers with better availability, quality and service.



Afghan utility workers restoring electricity lines in a Kabul neighborhood.

Urban Water Sector Project (US\$40 million Grant): The project aims to initiate actions to: (i) transform the Central Authority for Water Supply and Sewerage (CAWSS) into a technically viable operation; (ii) establish the financial sustainability of the Afghanistan Urban Water Supply and Sanitation Corporation (AUWSSC, CAWSS' successor); (iii) increase access to and reliability of the water supply service in Kabul; and (iv) prepare a follow-up project under which more substantial institutional and financial objectives can be achieved and coverage further expanded in Kabul and provincial towns. To achieve these objectives, the project includes three main components: (i) institutional development of AUWSSC; (ii) financial support to AUWSSC operations; (iii) and, an extension of the Kabul water supply system. The project is financed in parallel by the German Development Cooperation Agencies (KfW and GTZ). Following the announcement of the sector policy and institutional development plan in October 2005, a Presidential Decree to corporatize CAWSS was issued in January 2006. The Articles of Incorporation of the new AUWSSC were approved by the Cabinet on July 9, 2007, and gazetted by the Ministry of Justice on July 11 2007; the Board of Directors is meeting regularly, the General Manager has been recruited and recruitment of the other members of the management team is underway. AUWSSC took over the operation of Kabul water supply in May 2009. Operations were taken over in Charikar, Herat, Pul-i-Khumri, Kunduz, Taloqan, Mazhar-i-Sharif, Shebergan, Methelam and Jalalabad by November 2009. A Liquidation Committee is currently assessing the assets and liabilities of CAWSS in the remaining provincial towns. When the Liquidation Committee completes its work, and the other administrative processes are also complete, the Afghanistan Water Supply and Sewerage Corporation AUWSSC will take over operations in these towns. The government has requested a restructuring of the project to include part of the Short-Term Program of Kabul water supply which was earlier planned under the ARTF-financed project. Meanwhile, the bids for the water distribution network are to be invited again - for the third time, as the previous bid invitation did not result in responsive bids. Proposals for consulting services for external auditors are under evaluation and proposals for technical assistance are being invited from a short list of firms.

Emergency Horticulture and Livestock Project (HLP) (US\$20 million IDA Grant and US\$11 million ARTF Grant): The project has been restructured and the project development objective revised. The original project development objective was to stimulate the marketable output of perennial horticulture and livestock. The revised project objective is to assist producer households in adopting improved practices to increase the productivity and production of horticulture and livestock in the focus areas. The restructured project continues to support the rehabilitation of existing orchards and the development of new ones in select project areas in line with the strategy of the Ministry of Agriculture, Irrigation and Livestock (MAIL). Orchard rehabilitation activities have so far begun on approximately 2,000 hectares (ha); in Spring 2009, 705 hectares of new orchards were planted with grapes, apricots, almonds, and pomegranates and preparations are underway for establishing an additional 1,700 ha by 2010. The project has reached approximately 36,500 farmers and provided them with extension messages on horticulture improvement. These activities are now estimated to have been adopted by farmers on approximately 4000 ha (approximately 35 percent of targeted area).

Other activities such as the Integrated Pest Management (IPM), livestock development and animal health activities, and poultry activities will continue to move ahead under the restructured project. The Food and Agriculture Organization (FAO) is the facilitating partner for IPM and is working along with the facilitating partner for the horticulture component. The Afghanistan Veterinary Association (AVA) is the facilitating partner for the animal health component, and FAO is performing the same role for semi-intensive poultry development.

Under the animal health component, eighty seven government clinics have been transferred to concerned veterinarians so far. The remaining 33 clinics will be transferred in the coming months. The poultry component helps poor rural women enhance their incomes from rural backyard small-holder poultry production activities. Seven thousand women have already been registered under this component, and have received three months of training on poultry and the marketing of eggs. All 7,000 women have also received the first round of pullet distribution, 25 kg grower feed, and additional poultry equipment. The first batch of pullets has already started laying eggs.

As part of the ongoing restructuring, the project is carrying out activities intensively in focus areas in each of the 11 provinces where the project is operating. In these locations, farmers' needs are being addressed more comprehensively. Based on the experience in these focus areas, a replicable model will be developed for implementation in other areas as well.

Sustainable Development of Natural Resources Project (US\$40 million Grant): The project supports measures to enhance regulatory capacity, foster private sector development and adherence to international standards. This project is helping the government to ensure that the revenues from these valuable resources are available to the country as a whole and are transparently managed. Among the approaches the government will use to manage the sector is the Extractive Industries Transparency Initiative – a set of principles that supports sector governance via the full publication and verification of company payments and government revenues from oil, gas, and mining. In addition, an International Advisory Council

has been established to assist the government in evaluating the strengths and benefits of contracts to ensure that best practices are applied to help Afghanistan in developing its natural resources.

Despite a number of constraints—notably a difficult business environment—the project has made steady progress since its inception. It has stimulated private sector investment in Afghanistan by facilitating the successful tender of the Aynak copper deposit, one of the largest such deposits in the world. The government has concluded the contractual agreements, and preliminary work has begun on the site. The total amount of the investment will be around US\$10 billion over the next 5 to 10 years. Successful conclusion of the main agreement has already resulted in a payment of US\$80.8 million to the government as the first tranche of a US\$808 million premium for the right to develop the deposit. In addition to strengthening the Ministry of Mines' capacity to supervise the mining sector, the project has helped government move towards its goal of ensuring transparency and good governance in the sector, as well as recognizing the need for robust environmental and social management of projects. The government has taken the important step of endorsing the principles of the Extractive Industries Transparency Initiative (EITI), which promote transparent and systematic reporting of benefits received from the extractive industries, and an informal multi-stakeholder working group has been set up to secure EITI candidate status. The government is near completion in the drafting of mining and environmental regulations which provide clear guidelines and procedures for issuance of mine titles.

Private Sector Development (PSD) Support Project (US\$25 million Grant): The project aims to stimulate the local economy to generate employment, create income and alleviate poverty. It helps create an economic enclave for businesses operating in both the domestic and export markets. The project supports: (i) constructing an industrial park at Hesar-i-Shahi, (ii) establishing industries in 4 key sectors (light engineering, food processing, leather garments, carpet washing and finishing); (iii) building AISA's (Afghanistan Investment Support Agency) capacity in the Industrial Parks Development Department (IPDD) and Research and Policy Department (RPD); and (iv) creating capacity in the Private Sector Development Directorate (PSDD) of Ministry of Commerce and Industries (MoCI) to design PSD related policies. The capacity of IPDD has been substantially improved in financial management, procurement, environmental and social management, and project supervision. However, the high staff turnover has constrained the ability to implement projects independently. Similarly, a number of staff in PSD department of MoCI have been trained to improve their capacity in undertaking policy analysis and implementing projects.

Currently the construction work of the industrial park is in progress and about 70 percent of the work has been completed. Because of the worsening security situation, the progress of the construction work has been slow during the past few months. The major constraint that the project is experiencing is to provide power to the park. The project was designed in 2006, when the grid station was not available in Jalalabad City. Therefore, AISA had considered a diesel generator power plant to energize the park.

Currently, the Asian Development Bank (ADB) is financing a transmission line from Naghlu (a district of Kabul) to Jalalabad City and building a Sub Station in Jalalabad. Since the project is located 20 km from Jalalabad City, it is possible to extend the ADB financed transmission line to Hussar-e-Shahi industrial park and install a Sub Station to supply the power from the grid to the park. A MOU has been signed between Da Afghanistan Brishna Sherkat (DABS) and AISA, which states that DABS will provide 25 MVA hydropower to the Hussar-e-Shahi industrial park. The transmission line from Jalalabad City to the industrial park and the Sub Station is going to be financed under the PSD Support Project. Once the contract for the extension of the transmission line & Sub-Station and Power Distribution System is awarded, the construction progress of the park is expected to accelerate. The park is expected to be operational in 2011. Once the project is fully implemented, it is expected to generate 6,000 jobs in Afghanistan.

Civil Service Reform Project (US\$20.4 million Grant): The project supports the Independent Administrative Reforms and Civil Service Commission (IARCSC) and key government ministries in improving their capabilities for management of human resources. To meet this objective, the project supports the government in the development and implementation of clear rules and procedures for managing civil servants. The project also supports core ministries to reorganize their structures and staffing so as to better perform their tasks. In addition, the project supports ministries to implement the Pay and Grade reforms.

Financial Sector Strengthening Project (US\$8 million Grant): The project supports the Afghanistan National Development Strategy's vision to establish a modern and competitive financial sector. The project will specifically strengthen the capacity of Da Afghanistan Bank (DAB) in the areas of banking supervision, accounting, internal audit, and human resource management. It will also develop necessary financial infrastructure such as a public credit registry, collateral registry and the Afghanistan Institution of Banking. The consultants for the positions of audit, human resource and procurement have been interviewed and are expected to commence work at the start of 2010, and the remaining consultant

positions shortly thereafter. Additionally, a “Request for Proposal” has been sent to 5 bankers’ training institutes in order to establish a collaboration for three years with the Afghanistan Institute of Banking and Finance (AIBF). The AIBF, which is being supported under the project, will address the lack of human capacity that has been cited as one of the main constraints to the development of the financial sector. The AIBF is expected to become operational in February 2010. Finally, the implementing regulations for the Secured Transaction Law and operation of the collateral registry have been approved by DAB.

Afghanistan Food Crisis Response Project (US\$8 million Grant): The Bank’s new Global Food Crisis Response Program provides this assistance for the rehabilitation of approximately 500 small irrigation schemes, critical to the recovery of the country’s agriculture. So far, 330 of these schemes have been financed. The project also builds community capacity to implement and maintain irrigation sector projects that address community needs. This additional funding for community irrigation brings to approximately 6,000 the number of small irrigation schemes supported by the Bank since 2002. The Bank has also provided nearly US\$100 million for the rehabilitation of medium-size irrigation systems. While the Bank’s support has been aimed at the medium-term investments needed to increase food security over time, the institution is also working closely with Afghanistan’s other development partners and relief agencies to support the country in the current food crisis by addressing immediate shortfalls.

The Afghanistan Reconstruction Trust Fund

The Afghanistan Reconstruction Trust Fund (ARTF) was established in April 2002 as a temporary means to finance the government’s wage bill. Now the ARTF has developed into the main multi-donor funding mechanism in the country – financing both the essential running costs of government as well as key Afghan National Development Strategy (ANDS) programs across the country. The objectives of ARTF are to:

- Position the national budget as the key vehicle to align the reconstruction program with national development objectives.
- Promote transparency and accountability of reconstruction assistance
- Reduce the burden on limited government capacity while promoting capacity-building over time
- Enhance donor coordination for financing and policy dialogue.

Afghanistan Pension Administration and Safety Net Project (US\$7.5): The project is designed to improve the administrative capacity of the public pension system to ensure the effectiveness of a reformed pension scheme for public sector employees. It will also develop a policy framework for safety nets, and on that basis implement a pilot safety net program for needy households, with a subsequent proposal for a scaled up national approach. The project aims to develop capacity in the Ministry of Labor and Social Affairs to plan and administer programs in pensions and safety nets.

AFGHANISTAN RECONSTRUCTION TRUST FUND

The Afghanistan Reconstruction Trust Fund (ARTF) is a partnership between the international community and the Afghan government for the improved effectiveness of the reconstruction effort. Until November 21, 2009, 31 donors had contributed over US\$3.4 billion since early 2002, making ARTF the largest contributor to the Afghan budget—for both operating costs and development programs. ARTF’s support for national priority programs, for operating costs of government operations and for the policy reform agenda is contributing to the achievement of the Afghanistan National Development Strategy goals.

Management: The ARTF is managed by the Management Committee consisting of the World Bank (as the administrator), the Islamic Development Bank, the Asian Development Bank, and the UN (UNAMA and UNDP). The Management Committee meets regularly in Kabul, with the Ministry of Finance as an observer, to carry out the day-to-day business of the fund. Once a quarter, ARTF Donors meet to discuss broader strategy with the government and ARTF Management.

ARTF and Donor Contributions: A total of 31 donors have contributed to the ARTF over the past seven years. Donor contributions have increased year after year, with new donors joining and older donors increasing their levels of contribution. Nevertheless, over the last few years the “preferenced” portion of donor contributions has been the main factor driving growth. The agreed ARTF rules are that donors may not “preference” more than half of their annual contributions. This rule is to ensure that the ARTF has sufficient funding to finance the Recurrent Cost Window and that it retains some flexibility in the approval of National Priority Investment Projects.

How the Afghanistan Reconstruction Trust Fund (ARTF) works:

Donors contribute funds into a single account, held by the World Bank in the US. The ARTF Management Committee makes decisions on proposed allocations at its monthly meetings, and those decisions are translated into funds through Grant Agreements signed between the World Bank and the Government of Afghanistan. ARTF allocations are made through two “windows”: the Recurrent Cost Window and the Investment Window. The Recurrent Cost Window reimburses the government for a certain portion of eligible and non-security related operating expenditure every year. The Investment Window provides grant financing for national development programs in the development budget.

The Recurrent Cost (RC) Window (US\$1.8 billion): To date, the ARTF has disbursed US\$1.8 billion through the government’s operating budget. Domestic revenues continue to be insufficient to cover the costs of government. The ARTF Recurrent Cost Window has therefore ensured the basic functioning of government including the delivery of services such as healthcare and education. Given that around 60 percent of the non-uniformed Afghan civil service is accounted for by teachers, the Ministry of Education has in general received around 50 percent of total ARTF resources. Ministries of Public Health, Foreign Affairs, Labor, and Social Affairs and Higher Education have also been major recipients. It should also be highlighted that the ARTF’s RC Window resources are national in scope, ensuring the payment of salaries of around 250,000 non-uniformed civil servants in all 34 provinces of the country. Steady year-on-year increases in operating costs across government mean the RC Window accounts for a declining share of the overall budget. Nevertheless, the RC Window still finances around half of the non-security costs of government.

The Investment Window: The Investment Window has in the last two years increased significantly in volume and scope. In the last two years (SY1386 and SY1387) investment commitments have exceeded recurrent cost commitments. Disbursement rates on ARTF investment have been very strong with 74 percent of total investments disbursed as of November 21, 2009. Consistently high rates of disbursement are strongly influenced by the sectors in which ARTF invests. Decentralized and national rural development programs, such as NSP, NRAP and Microfinance, have been strongly supported by the ARTF.

As of November 2009, there were 20 active projects funded through ARTF, with a combined commitment value of over US\$1 billion; of this, US\$761 million was disbursed. Full details of investment activities are provided in the ARTF Quarterly Reports available at www.worldbank.org/artf.

The ARTF-financed Urban Water Supply and Sanitation Project (UWSS) provides US\$41 million to support the government's short-term UWSS program. The project has five components: Kabul water supply, Kabul sanitation, provincial towns WSS, engineering support and technical assistance, and financial support to the Central Authority for Water Supply and Sewerage (CAWSS) operations. The Kabul water supply and provincial towns WSS components are based on feasibility studies that have been completed for Kabul (financed by KfW) and 11 provincial capitals served by CAWSS. In addition, the ARTF has also financed feasibility studies for 11 cities which were not served by CAWSS. The Kabul sanitation component is based on the strategic sanitation plan and associated master plan covering municipal solid waste, on-site sanitation, and sewerage and storm water drainage. The investment components are currently at various stages of implementation. In particular, new wells have been completed in Upper Kabul for water supply to the city. However, as adequate financing for the next three construction contracts is not available under the project, they are to be financed by KfW and IDA. Contracts for (a) pipelines, equipment for wellfields and pumping stations, and (b) collector pipes and transmission mains are under execution with KfW financing. A few small-scale interventions were carried out for the sanitation and rehabilitation of an existing dumpsite



Locals fetch water from a hand pump built under an NSP block grant in northeastern Kunduz Province.

in Kabul. Goods worth US\$10 million for water supply in provincial towns have been procured, new water sources have been created in Taloqan, Maimana and Pul-i-Khumri and existing water sources have been strengthened in Sheberghan and Metherlam. All contracts for pipe-laying in 12 towns and 4 reservoirs have been awarded (procurement of works for 2 reservoirs have been held back due to lack of funds). However, a funding gap of about US\$ 7 million exists. Financial support to operations has been effective since August 2005 and was terminated in March 2007. The CAWSS operation is being incorporated gradually into the Afghanistan Water Supply and Sewerage Corporation (AUWSSC). The water supply operations in 10 towns, namely, Kabul, Charikar, Herat, Pul-i-Khumri, Kunduz, Taloqan, Mazhar-i-Sharif, Sheberghan, Metherlam and Jalalabad have been taken over by AUWSSC. Extension of grant closing date by a year i.e. up to December 31, 2010 is being considered to allow completion of the ongoing works in the provincial towns.

The Improvement of Power Supply to Kabul Project (US\$7.4 million) is working to improve the availability and reliability of power supply in Kabul by supplementing and extending activities financed under Afghan-German financial cooperation. It has the following three components: partial rehabilitation of Mahipar Hydropower Station, rehabilitation of 110 KV transmission lines, and supply and installation of street lighting in Kabul. All the project components, the transmission line work; street lighting components; and the Mahipar hydropower rehabilitation have been completed. A project Implementation Completion Report (ICR) is also out in the public domain.

Power production in Mahipar is key for power supply in Kabul during the winter as the river feeding this power station has water only during this season (December–May) without any other competing usage. Energy produced in two units in the Mahipar plant can supply at least 32,000 households in Kabul during the winter (assuming the average consumption of 200 kWh/month). In addition, the energy produced from this two units of hydropower would save the use of 24 million liters of fuel in thermal generation, thus saving about USD\$18 million at current oil prices.

Kabul/Aybak/Mazar-e-Sharif Power Project (US\$57 million) is working to provide reliable and quality power to consumers in the target areas of the cities of Kabul, Aybak, and Mazar-e-Sharif. The project would support investments to: (i) strengthen the low-voltage distribution network through rehabilitation/upgrading of old and dilapidated infrastructure in parts of Kabul with the aim of improving the reliability and quality of electricity supply and services in the target areas, as well as accountability of power utility; (ii) construct a new 220/20 kV substation and associated 20 kV lines at Aybak to provide quality, reliable, and clean grid power to the residents of Aybak town; and (iii) rehabilitate and augment the transmission facilities for the medium- and low-voltage distribution network in Mazar-e-Sharif. In addition, the project would support institutional capacity building for operation and maintenance of the distribution systems, as well as the establishment, operation, and handover to DABS (Da Afghanistan Brishna Shirkat – Afghanistan Power Utility) of a customer care center in the target area.

All the contractors – i) for implementation of distribution work at Kabul and Mazar-e-Sharif and ii) for 220 kV substation work for Aybak and Mazar transmission substations have commenced work. Procurement of major items is in progress with the submission of vendor's technical documentation. Site works have commenced. Major materials for distribution works have reached the site and the erection work has begun. The project's anticipated benefits would be available from the next solar year. The project's closing date of December 2009, which was aligned with the requirement of project closing before 6 months of the main ARTF closing date (previously June 2010 and extended to June 2020), has been extended by 21 months (till September 2011) after mid-term review based on the project's progress.

ARTF – Afghanistan Power Sector Development Project (US\$35 million): The project supports the Government of Afghanistan in increasing: (i) access to grid power; and (ii) the quantity of power available to consumers in the target urban centers of Pul-e-Khumri, Charikar, Gulbahar and Jab-ul Seraj. The project consists of the following two components: Distribution System Rehabilitation, and Institutional Capacity Building and Project Management Support to Ministry of Energy and Water (MEW). The project would support establishment of a unit within MEW to promote energy efficiency and saving.

The initial survey and design work on the rehabilitation of distribution networks for Pul-e-Khumri, Charikar, Gulbahar and Jabul-Seraj, has started. The work on the Charikar substation to be funded by the Govt. of India is still to start. The team will continue to follow on this through MEW, MoF and Inter Ministerial Commission on Energy (ICE) meetings. MEW is also working on alternative arrangements for bringing some power at 20 kV from Chimtallah substation, which is expected to be completed in a month's time. The contractor for carrying out a survey to understand electricity needs of the consumers in the project areas has been finalized and the contract is under processing. The supply of main materials and the construction work is expected to start in the coming summer. There had been a delay in the opening of Letter of Credits to contractors, which is being followed up.

Rural Water Supply Project (US\$7.65 million) has two objectives: (i) improve the health of rural communities by integrating health and hygiene education/awareness with the provision of water supply and sanitation services; and (ii) strengthen and build capacities of the central and provincial governments, NGOs, private sector, and communities to scale up the provision of sustainable water supply and sanitation services. This project is specifically helping to alleviate the water supply problem for rural communities through provision of 765 rural water points and 2,769 demonstration latrines (with another 420 water points and 1,260 demonstration latrines under the additional financing) and 10 reservoirs/gravity pipe schemes, together with establishment of community-based operation and maintenance systems. This is being integrated with hygiene education. A Program Implementation Unit was established in the Ministry of Rural Rehabilitation and Development (MRRD) to implement this program. To facilitate implementation, construction partners and Community Development Councils (in some villages) have been mobilized who are supported by provincial RRD offices in four provinces (Samangan, Takhar, Baghlan, and Jawzjan) and support organizations (NGOs) in another four provinces (Kabul, Badghis, Kunduz, and Saripul).

The project has completed implementation of almost all the activities (100percent achievement) envisaged under the original and additional financing. Software activities like hygiene promotion, operations and maintenance training etc are also completed. A sector review study taken up under the project has found that most of the rural water sector programs are centrally managed, face delays in implementation, and are not fully addressing sustainability issues. Another consultancy commissioned by MRRD to design a follow-on project is attempting to address these issues and may align with the NSP for improved service delivery. The final report is under finalization.

The project was completed on December 31, 2009. To pay pending invoices, a grace period of four months is available (up to end of April 2010).

Kabul Urban Roads Improvement Project (US\$18 million): The Project aims to improve traffic flow on priority corridors or segments of the main urban roads in Kabul city. The Project will rehabilitate about 12 kms of existing roads; construct and rehabilitate road side drains and walkways; construct roundabouts at key intersections; and install street lights. The Implementation Consultant (IC) has completed the topographic survey, geotechnical investigations and design for 75 km of roads under their contract. The IC undertook a comprehensive winter training program in December 2008 and January 2009. The training focused on various aspects of civil engineering including 4 days of testing in the soils laboratory. 47 Municipal Staff attended the professional development course. Four days of Road safety/environmental awareness training was also held for Municipal and Contractor staff on the 2/3/2009. There were approximately 20 attendees.

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

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

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

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

The first component — **Afghan Expatriates Program (AEP) (US\$10 million)** — will increase the contribution of professional Afghans living abroad to the reconstruction of Afghanistan by inviting them to play a role in formulating public sector policy and building institutional capacity. This component also aims to close the skills gap of the Afghan people in information technology, engineering, and teaching by getting well-trained overseas Afghans to return and provide local Afghans with on-

the-job training to enhance their technical skills. To date, around 92 Afghan experts from overseas have been placed in government ministries and agencies.

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

The Management Capacity Program (US\$10 million) will help ministries to improve their capacity in key managerial areas over the medium term. This should enable the government to manage resources more effectively and deliver results faster on the ground. The program will fund qualified Afghan staff, currently working in NGOs and international agencies, to work in critical positions in government in areas such as financial management, procurement, human resource management, policy, and administration. Priority will be given to positions in the sub-national offices of line ministries. This program directly funds about 300 senior level government positions in about 17 ministries, mostly focused on common functions, such as human resource management and financial management. By bringing in highly qualified Afghans that help build capacity from within the administration, the program helps to enhance the performance of a wide range of ministries and agencies.

The project has provided core and line ministries with the staffing that will allow them to improve their budget utilization and service delivery. Around three quarters of the positions have been filled transparently and through merit. A system to monitor results has also been put in place. The program's success has enabled it to include a new component that was not in the scope of the original project; this includes staff positions for monitoring the implementation of the Afghanistan National Development Strategy (ANDS). Recruitment for these positions is under way; 16 positions have already being filled.

As a result of this addition, the total revised cost for the project is now US\$35 million, up from the original cost of US\$30 million (Approved by ARTF MC in February 2007). Other changes have also been made: (i) modifying the project development objectives and outcome indicators to include strengthening the oversight capabilities of the central agencies charged with overseeing the implementation of the ANDS; (ii) financing of staff positions for this purpose (the Ministry of Finance, Ministry of Economy and Government Coordinating Committee Secretariat within the Office of the Chief Economic Advisor to the President); (iii) an increase in Grant Funds by an additional US\$ 5 million; and (iv) extension of the closing date for the project to December 31, 2011. The increase in Grant Funds reflects additional contributions received from ARTF's Donors.

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

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

All dollar figures are in US dollar equivalents.

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