

Country Update

THE WORLD BANK GROUP IN AFGHANISTAN

“ This is a very good project, and I'm very happy here now. This is a good life for us. ”

page 36

page 4

WORLD BANK
GROUP SUPPORT



page 6

ONGOING
OPERATIONS

page 24

IFC ADVISORY
SERVICES PROJECTS



page 26

AFGHANISTAN
RECONSTRUCTION
TRUST FUND

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CONTENTS

WORLD BANK GROUP SUPPORT
page 4 -5

page 4
World Bank projects and programmes
International Finance Corporation
Multilateral Investment Guarantee Agency

page 5
Interim Strategy Note, 2012-2014
Afghanistan Reconstruction Trust Fund
Japan Social Development Fund

ONGOING OPERATIONS
page 6-23

page 6
EDUCATION AND TRAINING

page 9
FINANCIAL SECTOR

page 10
HEALTH

page 11
INFRASTRUCTURE

page 20
RURAL DEVELOPMENT

page 22
SOCIAL SAFETY NET

page 23
URBAN DEVELOPMENT

IFC ADVISORY SERVICES PROJECTS
page 24 -25

AFGHANISTAN RECONSTRUCTION TRUST FUND
page 26 -38

page 26-27
WHAT IS THE ARTF
HOW THE ARTF WORKS

page 28
ONGOING PROJECTS

13 RESULTS
'Village clinic in northern Afghanistan'



17 RESULTS
'Irrigation canal'



31 RESULTS
'Farmer field schools'



ARTF SCORECARD FACILITATES DIALOGUE

The ARTF Scorecard establishes links to:

- (i) The broader development strategy in Afghanistan as defined in the Afghanistan National Development Strategy and operationalized in the National Priority Programs;
- (ii) The Tokyo Mutual Accountability Framework, which sets out commitments of the Government and the international community to assist Afghanistan during the transition phase and transformation decade;
- (iii) The National Risk and Vulnerability Assessment, which tracks key indicators on poverty, employment, and human development at the national level;
- (iv) The World Bank's Corporate Scorecard and the President's Delivery Unit; and
- (v) The Access to Information Policy and Open Data Initiative of the World Bank.

NEWS

WORLD BANK ECONOMIC UPDATE: CREDIBLE REFORMS NEEDED TO RESTORE CONFIDENCE AND FISCAL STABILITY

The World Bank's recently released bi-annual Afghanistan Country Economic Update showed the country's sharp slowdown in economic growth in 2013 to 3.7 percent (estimated), which slowed further to 1.5 percent (projected) in 2014, from 9.4 percent per year during 2003-2012. Uncertainty since 2013, over the political and security transition, has been compounded by the protracted elections impasse in 2014. Investor and consumer confidence have slumped and led to a sharp reduction of new investment commitments in the non-agricultural sectors. Agricultural production has been robust in 2013-2014, but flat from the record levels of 2012.

Afghanistan faces a deteriorating fiscal crisis in 2014, with declining revenues leading to an unfinanced fiscal gap, depleted cash reserves, and accumulating arrears. Domestic revenues have continued to weaken, with the authorities anticipating revenues of AFN105 billion (\$1.82 billion) or 8.7 percent of GDP for fiscal 2014. This would represent a further decline from revenues of 9.7 percent of GDP in 2013, itself down from a peak of 11.6 percent in 2011. While the economic slowdown is part of the

explanation, increasing weaknesses in tax and customs compliance are a large part of the problem. Even with austerity measures, the unfinanced fiscal gap is estimated at about \$500 million for 2014. While part of this could be financed from cash balances, it is estimated that at least \$300 million in additional financing will be needed for 2014 to cover civilian salaries, pensions, and critical operating and development spending. This will need to be accompanied by serious reforms to improve revenues.

Addressing Afghanistan's formidable development challenges will require reforms in three areas: (i) restoring fiscal stability; (ii) restoring confidence and creating private-sector jobs; and (iii) strengthening social cohesion and service delivery. Above all, high level commitment to tackle corruption and strengthen governance across the board will be critical.

⇒ The report is available on:
<http://documents.worldbank.org/curated/en/2014/10/20310386/afghanistan-economic-update>

ARTF SCORECARD SHOWS STRONG RESULTS IN KEY SECTORS

On October 13, 2014, the second annual Afghanistan Reconstruction Trust Fund (ARTF) Scorecard was released, providing detailed information on the overall performance and results achieved by the ARTF and the Government of Afghanistan through ARTF-financed projects and programs. A four-pillar structure presents a transparent assessment of how the ARTF, as a multi-donor trust fund, is supporting

Afghanistan effectively in its development progress. The ARTF Scorecard facilitates dialogue between Government, ARTF donors and the World Bank as the ARTF Administrator on portfolio performance, project results, challenges, and areas in need of attention. The ARTF Scorecard 2014 highlights impressive results in education, health, rural development, agriculture, and key policy reforms as well as a strong

performance on operational effectiveness and quality of the project portfolio. The Scorecard showcases that the ARTF is fully aligned with government priorities at the strategic and programmatic level.

⇒ The ARTF Scorecard is available on:
<http://www.artf.af/images/uploads/artf-scorecard2014-finalrevise.pdf>

WORLD BANK GROUP SUPPORT

World Bank projects and programs

Since April 2002, the World Bank's International Development Association (IDA) has committed over \$3.07 billion for development and emergency reconstruction projects, and five budget support operations in Afghanistan. This support comprises over \$2.63 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 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.

⇒ **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 \$135 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, and undertakes

senior-level business development missions to Afghanistan on a quarterly basis. IFC Advisory Services is also very active in Afghanistan with eight active projects during the reporting period.

⇒ **For more information: see page 24.**

Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) has \$155 million of gross exposure in Afghanistan, supporting telecommunication and agribusiness projects. MIGA recently launched its 'Conflict Affected and Fragile Economies Facility', which will boost the agency's capacity to insure investments in Afghanistan. The telecommunication project (MTN) is also receiving financing from IFC. The two agribusiness projects are in dairy and cashmere production.

THE WORLD BANK INTERIM STRATEGY NOTE FOR AFGHANISTAN, 2012-2014

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 this 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 September 31, 2014, 33 donors have contributed over \$7.3 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 \$3.1 billion have been disbursed to GoA to help cover recurrent costs, such as civil servants' salaries, and over \$2.32 billion had been made available, both for closed and active investment projects. As of September 2014, 20 projects are active under ARTF (including the Recurrent Cost Window) with net commitment value of \$5.34 billion.

⇒ **For more information: see page 26.**

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 2014, JSDF's total commitment had reached \$81.3 million. A number of JSDF-financed projects have so far been completed.

⇒ **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 June 2014, EQUIP II has supported the construction of 838 schools: 241 schools using National Competitive Bidding (NCB), i.e., for larger and technically complex buildings, and construction and/or rehabilitation of 597 schools using Community Contracting (CC). In addition, 283 (178 CC and 105 NCB) schools are under construction. There are 3.1 million students currently studying in EQUIP-supported schools, 1.3 million (40 percent) of whom are girls. Overall, there are 8.04 million children, of whom 40 percent are girls, enrolled in the General Education System in Afghanistan.

Thus far, social mobilization activities have been conducted in 14,125 communities, which have led to the establishment of 14,125 school management *shuras* (councils). Taking into consideration the schools' needs, the *shuras* have developed 13,412 school improvements plans (SIPs) nationwide. Based on the SIPs, Quality Enhancement Grants (QEGs) were distributed to schools that are used for purchase of school supplies, laboratory equipment, and other materials that help strengthen the learning environment. So far, a total 16,587 schools have received

QEGs under EQUIP I and II (of which 5,045 received a total amount of \$14.3 million as a first generation grant during EQUIP I and 11,542 schools received a total amount of \$22.9 million during EQUIP II).

Afghanistan Skills Development Project

⇒ IDA GRANT \$20 MILLION
⇒ ARTF GRANT \$18 MILLION
(CLOSED ON JUNE 30, 2014)

The project was designed to increase the number of immediately employable skilled persons by building in stages a high quality Technical and Vocational Education and Training (TVET) system that is equitable, market responsive, and cost effective. More specifically, the project aimed to develop a demand-driven vocational education and training system, and encourage the provision of autonomy to training institutions to tailor their programs to the needs of the labor market, and establish linkages with employers. The project had three components:

Component 1: Mainly focused on the establishment of the Afghanistan National Qualifications Authority (ANQA), Afghanistan National Qualifications Framework, and Awarding Boards. The documents developed so far are being exposed in phases to the stakeholders.

Component 2: The National Institute of Management and Administration (NIMA), set up under the project, implements competency-based curricula for its academic programs. The first batch of about 1,500 students in Accounting, Management, and Information and Communication Technologies (ICT) graduated in July 2011. Of these, 1,058 students were given diplomas by the University of Jyväskylä, Finland. The project provides aid to five other institutions under the Ministry of Education that requires them to establish their governing councils with a strong private sector involvement.



A student in the library at the National Institute of Management and Accounting that was set up under the Afghanistan Skills Development Project (ASDP). ASDP aims to increase the number of immediately employable graduates by building a high quality technical and vocational education and training system. The project covers the cost of education, which is normally prohibitive for students from the provinces.

Component 3: Under this component, training was provided to youth, as well as to some vulnerable groups. The implementing agency was the National Skills Development Program (NSDP) unit, and nearly all of the programs contracted out for the training of about 7,500 youth, marginalized farmers and chronically poor women have been completed.

By end of this project on June 30, 2014, major results under this project included: the Committee on Education and Skills Policy, chaired by the First Vice President, has developed the basic roadmap of activities for (a) a Draft National Qualifications Framework (TVET); and (b) a draft legislation for the ANQA. In addition, 140 National Occupational Skills Standards have been developed under the National Skills Development Program.

These have been shared with other development partners and other ministries, in addition to the Deputy Ministry TVET (DMTVET), which is in the process of aligning its curricula to these Standards.

The project training delivery to chronically poor women, youth, and injectable drug users reached 10,000 trainees. A Third Party verification of the non-formal training course has confirmed earlier findings of rise in wages after training for both men and women.

NIMA has now become a corresponding member of the Accreditation Council for Business Schools and Programs (ACBSP). ACBSP accredits business, accounting, and business-related programs at the associate, baccalaureate, masters, and doctoral degree levels worldwide.

Second 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 implementing a labor market information system and an overall MIS for the TVET system; (d) capacity building of monitors and inspectors of schools and institutes accredited by 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, etc. Such

schools and institutes will be given an 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.

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.

As of September 2014, project progress included 15 TVET schools and institutes nationwide selected to receive the recognition grant of \$30,000 and to scale up or replicate good practices in delivering skills. Subsequently, these beneficiaries are receiving supplementary technical assistance for the preparation and implementation of Business Development Plans and five-year business plans for their institutes.



Small family businesses such as this garment company have benefited from the support of the Microfinance Investment Support Facility for Afghanistan, which encourages innovations to increase access and usage of financial services from micro and small enterprises. The owner of the family business is seen here with a machine that embroiders traditional Afghan clothing designs.

/ FINANCIAL SECTOR

Access to Finance Project

⇒ IDA GRANT \$50 MILLION

The Access to Finance Project aims to build the government's institutional capacity to improve access to credit of micro, small, and medium enterprises. The project was declared effective on April 17, 2014, and 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 (notably micro and small enterprises) 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. The aim is to increase commercial bank and microfinance institution (MFI) lending to small and medium enterprises (SMEs) in Afghanistan and thus facilitate their access to financial services. It will support the expansion of the Afghanistan Credit Guarantee Facility. It will also support 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.

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. To date 1,108 graduates from the National Institute of Management and Administration received an International Certificate from the University of Jyväskylä, Finland, and Ball State University, USA. In the meantime, 300 TVET graduates 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 has been established. A Project

Management Information System has been established and progress has been made to set up an Education Management Information System and Labor Market Information System for TVET. The recruitment process for hiring a consultant for public awareness toward TVET education is currently underway.

Business Plans of NIMA, Afghanistan National Institute of Management, Blind School and Technical Teacher Training Institute have been received and approved as their long-term commitment in the sector under the project. The majority of second batch Voucher beneficiaries, who receive financial support from DMTVET, has started classes at the American University in Kabul.

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, currently 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 an additional financing to the project (\$6.7 million) was approved in November 2013. The additional financing aims to support selected technical assistance activities originally financed under the Financial Sector Strengthening Project, which closed in June 2014. The additional financing covers two main activities: (i) targeted activities to strengthen DAB's capacity, and (ii) establishment of a Public Credit Registry.

The audits of the 10 commercial banks, started in November 2011, were completed in June 2012. Presentations on the audit findings were given in June and July 2012 to development partners. A Movable Collateral Registry was established in February 2013 and a Public Credit Registry was launched in December 2013. The process for modernization of the payment system (national card and mobile payment switch) is in progress.

/ HEALTH

System Enhancement for Health Action in Transition (SEHAT) Program

⇒ IDA GRANT \$100 MILLION

⇒ ARTF GRANT \$270 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, so it can effectively perform its stewardship functions. The project includes the following 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; 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: supports and finances 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. The under-five mortality rate and infant mortality rate dropped from 257 and 165 per 1,000 live births to 97 and 77, respectively. The maternal mortality ratio is 327 per 100,000 live births, compared to 1,600 in 2002. The number of functioning



A Chief Medical Officer attends to a patient at the Sar-e-Hause medical health clinic in Parwan Province. It is one of many clinics supported by the System Enhancement for Health Action in Transition (SEHAT) Program. SEHAT supports the provision of basic health and essential hospital services in both rural and urban areas.

health facilities increased from 496 in 2002 to more than 2,000 in 2012, while at the same time the proportion of facilities with female staff increased.

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 will support policy and regulatory reforms and strategic infrastructure investment to expand connectivity and enable more users to access high quality mobile and internet services. It will also help mainstream the use of mobile applications to improve public service delivery and program management in strategic sectors in the government. The project will help 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 2014, major milestones under the project include progress in construction of optical fiber cable and completion of about 200 kilometers of ducting and the first nodes on the northeast segment are being operationalized. The Ministry of Communications and Information Technology has adopted an open access policy for the national backbone network, ensuring non-discriminatory access to wholesale Internet bandwidth for all firms. A total of 450 Afghans have been trained under the IT skills development program. A job fair for 500 successful trainees is planned for October 2014. The program will train 1,500 Afghans by its conclusion. The first round of the Innovation Support Program awarded 11 local innovators for their ideas on how mobile technologies could help address nine challenges in various sectors including agriculture, education, and health.



VILLAGE CLINIC IN NORTHERN AFGHANISTAN provides frontline health care

- A sub-medical clinic in a tiny village is the first link in the chain of medical care available in Kholm District.
- With few resources and no electricity, the clinic provides much needed basic medical care and counseling to villagers, many of whom live in poverty.
- It is one of many clinics across the country supported by the SEHAT program, which aim to expand the quality and coverage of health services.

ULGATO VILLAGE, Balkh Province – In this tiny Afghan village, people seeking medical help find it behind a delicate lace curtain decorated with peacocks. Draped over the door of a traditional dome-roofed, mud-baked home, the decorative white curtain is Dr. Ahmed Seyarr Rahimi’s way of welcoming patients from Ulgato village to his clinic. Outside, harsh desert-like conditions create a stark contrast.

“It is a difficult life for people here,” says Rahimi, 30. “Many are very poor and coping with big problems. I just want them to know we’re here to help.” Rahimi and his sister-in-law, Nooria, a trained midwife, are the only staff at Ulgato’s sub-medical clinic, which opened six years ago. Together they serve a population of some 4,300 people, generally treating about 35 patients every day. There is no electricity at the clinic. Medical equipment must be battery operated.

The sub-medical clinic is located about 45 kilometers east of Mazar-i-Sharif in Afghanistan’s northern Balkh Province. It is operated by the Afghan NGO, Coordination of Humanitarian Assistance (CHA), contracted by the Ministry of Public Health (MoPH). It is part of the MoPH’s System Enhancement for Health Action in Transition (SEHAT) program, supported by the World Bank and Afghanistan Reconstruction Trust Fund.

The program’s objective is to expand the scope, quality and coverage of health services provided to the Afghan people, particularly the poor, women, and children in 22 provinces, and to support the MoPH’s efforts at stewardship.

Afghanistan has made impressive progress in the health sector in the past decade. Deaths of infants and children aged under five years, and pregnancy-related mortalities have already dropped dramatically. The number of functioning health facilities increased from 496 in 2002 to more than 2,000 in 2012, while at the same time the proportion of facilities with female staff increased.



“We are doing all the small things for people, not operations.

We are explaining everything about different diseases and if we can solve the problem, we do.”

–Ahmed Seyarr Rahimi, doctor, Ulgato Village

Care and counseling

The Ulgato sub-clinic is the first link in the chain of medical care available in Kholm District, and offers basic medical care: injections, medicine, birth control counseling, and help and advice for mothers with babies. “This is the first step for them,” explains Rahimi. “We are doing all the small things for people, not operations. We are explaining everything about different diseases and if we can solve the problem, we do. But if they need to go to the district hospital, we send them there.”

Midwife Nooria delivers babies and works with women who are not allowed to seek treatment from a man. Many people in the village eke out a living by harvesting clumps of fragrant cactus brush from the nearby mountains, or have relatives working in places like Iran.

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

⇒ IDA GRANT \$526.5 MILLION

On March 27, 2014, the World Bank Group's Board of Directors approved \$526.5 million in grant and credit financing for the Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000) for four countries: Afghanistan, Kyrgyz Republic, Pakistan, and Tajikistan. This transmission infrastructure project 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.

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 lines 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.



A local farmer looking at a filter in a secondary canal that allows farmers to filter detritus and also direct water flow according to their irrigation needs. New and rehabilitated irrigation canals as a result of the Irrigation Restoration and Development Project are allowing farmers to increase their crop production.

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 end August 2014, progress had been made in all areas. In the irrigation component, approximately 20,000 hectares (ha) (44 percent of the target 45,000 ha) of incremental irrigated area had been achieved. In the small dam component, the completed

pre-feasibility study had selected seven dam sites in the northern provinces and the feasibility study for six dams have been submitted (the seventh site is not accessible for drilling) and is under review. The completed parts of the feasibility study report for three remaining dam sites have been submitted according to the contract. In the hydro-met component, installation of hydro-meteorological equipment had been completed and data collection performance of the installed stations also improved considerably in all five river basins.

“This new canal will help us a lot. It is 100 percent good; it will give us all energy, just like the sun.”

– Ghulam Hazrat, farmer



IRRIGATION CANAL unites two communities

- Farmers from two villages by Panjshir River are looking forward to doubling their production after the completion of a new irrigation canal.
- The community development councils in both villages decided to collaborate on the mutually beneficial irrigation project, which received funding from the National Solidarity Project (NSP).
- The NSP, under the responsibility of the Ministry of Rural Rehabilitation and Development and supported by the World Bank and Afghanistan Reconstruction Trust Fund, encourages local governance and development through small-scale infrastructure initiatives.

UNABA DISTRICT, Panjshir Province – On a stretch of land beside the Panjshir River, two villages work with a single purpose. Together, villagers dig trenches, haul rocks, pour concrete, and carefully shape a narrow irrigation canal that will soon wind about 750 meters between the two Afghan communities, bringing water to fields tended by about 1,300 families.

From each village of Unaba and Deh Meina, in the Unaba District of Panjshir Province, farmers have given up valuable riverside plots so that they and their neighbors can all benefit from the new irrigation project called Dhamm Canal. The improved water supply will mean farmers should be able to double production from their fields of wheat, corn, fruit, and other crops, says Najibullah Alimi, head of Deh Meina’s community development council (CDC).

Deh Meina’s council of 10 men and 10 women was created in 2012 under the auspices of the Ministry of Rural Rehabilitation and Development’s National Solidarity Project (NSP). Supported by the World Bank and Afghanistan Reconstruction Trust Fund, the NSP mobilizes communities to run transparent elections and create CDCs, much like traditional Afghan *shuras* (councils). It is estimated that about 22,490 CDCs representing some 35,200 villages have been created under the NSP.

Once established, CDCs are eligible to apply for funding for a range of infrastructure and service projects, including access to power, roads, drinking and irrigation water, improved sanitation, bridges, and schools.

The two communities each received about \$60,000 for construction of their half of the canal. Every household also contributed about AFN400 (\$7), says Mohammad Noor Ranjbar, an engineer and head of Unaba’s CDC. “We all recognized that our first priority should be irrigation because when our level of income goes higher, then we can all have a better future.”



Conflict over water resolved

Community conflict over water was a big problem previously because farmers jealously guarded their own water supplies, while also sharing access to makeshift irrigation canals, says farmer Alimi.

Ghulam Hazrat, 80, says he paid to have a well dug on his land so he could properly water his orchards of pomegranate, apples, figs, grapes, almonds, and walnuts. He also has to buy diesel for a generator to pump the well water out to his fields.

“The old canals were of little use. You had to wait so long for your turn, or they would get blocked with mud and debris. We were having big losses with our crops,” recalls Hazrat. “Now, this new canal will help us a lot. It is 100 percent good; it will give us all energy, just like the sun.”



Mohammad Umar Momand, Director of Planning and Reform, Afghan Customs Department, outside the Customs building in Kabul. The Second Customs Reform and Trade Facilitation Project is continuing with reforms to assist the Afghan Customs Department to consolidate the customs modernization process to improve governance and the release of legitimate goods in a fair and efficient manner. "Before this project there was no infrastructure and capacity was very low," says the director.

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 ex-

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

The project has made notable progress in a number of areas, with automation being the main highlight. The Automated System for Customs Data (ASYCUDA) full declaration processing (DPS) is now fully operational in 13 computerized ACD offices, resulting in more than 95 percent of declared trade made electronically. Migration from ASYCUDA++ version to the newer web-based ASYCUDA World platform has been completed in 12 sites, including international and national

transit covered. Work is underway to cover the two remaining larger offices in Khost and Farah by end of 2014.

ACD has also managed to implement ASYCUDA value added modules, e.g. risk management/selectivity, entry exit gate control, vehicle control module, SMS alerts, etc. The project has also financed construction of a completely new Khost Customs House, truck parking, administration buildings, and warehouses at Nimroz, Jalalabad, Kandahar, Kabul, and Andkhoi, and smaller infrastructure at Torkhum, Islamqala, and Spin Boldak. The Executive dash board (management Information and Alert System) is functional, with email and SMS alerts introduced. Data exchange through secure email between ACD and Pakistan Customs for goods entering and exiting through Torkhum and Spin Boldak is functioning.

A Customs to Customs Cooperation Agreement between Tajikistan and Afghanistan was signed on March 26, 2014, and work is underway to finalize a similar agreement with Iran. The Customs Strategic Five Year Plan has been prepared. Substantial progress has been made in preparation of the Customs Modernization Action Plan, Post Clearance Audit implementation plan, Risk Management policy and procedure, and examination standard operation procedures. Work is also underway on capacity building of the Valuation Department. The project was extended by 12 months to complete rollout of ASYCUDA, and to complete outstanding infrastructure development activities.

Sustainable Development of Natural Resources Project

⇒ IDA GRANT \$52 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 effectively to regulate Afghanistan's mineral resource development in a transparent and efficient manner, and foster private sector development.

Steady progress has been made under this project: transaction support for the tender and negotiations of the main Hajigak contract, including the establishment of an International Advisory Panel to ensure the transparency of the negotiations process; collection of new geo data and the digital capture of existing historical geo data for the development of a modern computerized geo-database in order to attract exploration interest that is necessary to sustain discovery of new deposits and sector growth; the preparation and publication of 18 sub-sector development policies by commodity to guide sustainable development; the establishment of an independent external inspection and contract compliance monitoring system; capacity building of NEPA and MoMP on inspectorate services functions and regulatory monitoring; the preparation of the Resettlement Policy Framework and the associated Environmental and Social Management Framework; the preparation of a Strategic Environmental and Social Assessment for the sector; and implementation of the Extractive Industries Transparency Initiative (EITI).

The excavation of nearly 75 percent of the archeological red zone at Mes Aynak is underway, including the employment of some 13 international archeologists, 9 national archeologists plus 18 field support staff, around 10 national archeologists (fresh graduates) soon to be appointed, and more than 500 laborers residing in the surrounding communities. Over the past year, the MoMP and Ministry of Information and Cultural have significantly increased their level of coordination (a bottleneck to progress in the past) and ownership over the project.



This road to Jalalabad from Girdi-Kas village is part of the construction and rehabilitation of thousands of roads under the Afghanistan Rural Access Project. The project aims to enable rural communities across Afghanistan to benefit from improved access to basic services and facilities through all-weather roads.

/ RURAL DEVELOPMENT

Afghanistan Rural Access Project (ARAP)

⇒ IDA GRANT \$125 MILLION
⇒ ARTF GRANT \$107 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 2014, construction of 200 km of secondary gravel roads, 35 km of secondary asphalt roads, and 590 linear meters of secondary bridges have been completed. Construction of 518 km of tertiary roads and 520 linear meters of tertiary bridges also have 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 3,000 km of tertiary road and period maintenance of 237 km of tertiary road were also completed. The first nationwide inventory and condition survey of rural roads was initiated.

Afghanistan Rural Enterprise Development Project (AREDP)

⇒ IDA GRANT \$30 MILLION
⇒ ARTF GRANT \$5.10 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 mobilized over 5,638 Savings Groups with a membership of some 41,800 rural poor (52 percent women) in 500 villages. The SGs have saved over \$1.5 million and members have accessed more than 10,400 internal loans for productive and emergency purposes with a repayment rate of 95 percent. To generate economies of scale, 229 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 \$3,300 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 over 1,345 Enterprise Groups (63 percent female) and 256 (13 percent female) Small Medium Enterprises (SMEs) that have been selected for their potential as key drivers of rural employment and income generation. A total of six Provincial Situation Analysis (PSA) has been completed and 10 PSAs are underway. 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.

Third Emergency National Solidarity Project (NSP)

⇒ IDA GRANT \$40 MILLION
⇒ ARTF GRANT \$950 MILLION
⇒ JSDF GRANT \$15 MILLION

GoA's flagship program is in its third phase and aims at generating a strong sense of ownership and social stability while enhanc-

ing service delivery and security through empowerment and development activities that communities identify, plan, manage, and monitor on their own. There are over 33,400 Community Development Councils (CDCs), democratically elected through secret ballot, mandated with governance responsibilities. They are proving to be an effective mechanism nationwide for ensuring equitable development, representing the rights and demands of over 18 million rural community members.

The NSP and its 29 Facilitating Partners have worked through these CDCs to identify and implement some 83,700 small-scale reconstruction and development activities in the areas of water supply and sanitation (24 percent), rural roads (27 percent), irrigation (21 percent), power (10 percent), and health and education (8 percent) as well as generated over 50 million paid-for-labor days for skilled and unskilled laborers.

Another recent achievement is the 'Policy for Improving Governance and Development in Districts and Villages', which was approved by the Afghan Cabinet on December 30, 2013. It recognizes CDCs as the sole platform for rural development and local governance, and instructs all line ministries to use CDCs for implementing rural development activities in their respective sector.

The NSP is active in 359 of Afghanistan's 364 districts and all 34 provinces (about 90 percent of villages). It is financed together with several bilateral contributors, and more than \$39.9 million of IDA funds and over \$587.67 million from ARTF have been disbursed under this phase. Since inception in 2002, over \$1.48 billion have been disbursed as block grants directly to CDCs' bank accounts that are used to address their community development priorities.

⇒ For more information:
www.nspafghanistan.org



A lady with one of her sons at her Kabul home working on needlework handicraft that help bring in almost a third of the family income. She is one of thousands of micro and small business owners who are benefiting from projects supported by the World Bank.

/ 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. The project has so far achieved the following results:

Component 1: Pensions: The project has financed key elements of a reformed and modernized Public Sector Pension System, which includes a revised institutional and human resources structure of the

Pension Department, a comprehensive new Management Information System, a set of business processes, fiscal forecasting models for revenues and expenditures, and a new chart of accounts of the pension system. The renovation of the Pension Department has resulted in improved client services.

Component 2: A multi-phased safety nets cash transfer pilot has been designed, implemented, and evaluated. Based on the lessons learned, an improved platform for delivering targeted benefits to the poor has been designed and is being tested. It includes reformed operations procedures, an objective and transparent targeting system, and a revised grievance redress mechanism. The pilot program over the past two years has provided support in cash transfers to over 16,000 poor and vulnerable families (around 80,000 individuals) in eight selected districts of 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 will help 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 is managed by GIZ IS, which was selected through an international competitive bidding process (the contract was signed in September 2012). The Facility for New Market Development is operational in the four cities and has already received 745 applications while 311 agreements for a total value of \$9 million have been signed so far.

AFGHANISTAN NEW MARKET DEVELOPMENT PROJECT MAJOR ACHIEVEMENTS

- Kabul: 382 new jobs created (18 percent female); 19 percent increase in sales; and 85 new products introduced to national and international markets.
- Balkh: 128 new jobs created (41 percent female); 23 percent increase in sales; 26 products were redesigned, improved, and introduced to market; and six new products were created.
- Nangarhar: 208 new jobs created (41 percent female); 16 percent increase in sales; and 23 new products launched in local market.
- Herat: 192 new jobs created (24 percent female); 23 percent increase in sales; and 15 new products introduced in local market.

Urban Water Sector Project

⇒ IDA GRANT \$18.72 MILLION
(CLOSED ON JUNE 30, 2014)

The project assisted the government in developing the capacity of the Afghanistan Urban Water Supply and Sewerage Corporation (AUWSSC) for operational management, and investment planning and implementation.

Institutional development results have been significant since the creation of the water utility four years ago. AUWSSC has assumed the country's urban water supply and sewerage responsibility and expanded operations. Select empirical indicators for operational management as measured by the expansion and improved efficiency of operations achieved by AUWSSC are: (i) expansion of operations from 16 to 42 towns (162 percent increase); (ii) reduction in water production and distribution costs by 25 percent; (iii) reduction in system water losses from 60 percent to 35 percent; (iv) reduction in the number of staff per water connection from 8.6 to 5.9; (v) Metered customer connections have increased by 35 percent (from 84,044 to 113,639 connections), and annual revenues from water sales increased by 177.4 percent from AFN132.5 million (\$2.3 million) to AFN367.3 million (\$6.4 million).

A system of internal monitoring and monthly reporting between the AUWSSC headquarters and Strategic Business Units (SBUs) is in place, providing both physical and financial data (e.g. number of metered connections and revenues from connections). With the government's approval of increased water tariffs by over 200 percent, AUWSSC is on a sustained path to transformation into a financially viable institution

INTERNATIONAL FINANCE CORPORATION

/ CURRENT STRATEGY AND OVERVIEW

The current strategy of the International Finance Corporation (IFC), the World Bank Group's private sector development arm, is in line with the ongoing World Bank Group's Interim Strategy Note for Afghanistan. IFC is following an integrated advisory and investment strategy focused on improving the investment climate, building capacity, and supporting selective investments in sectors with high development impact and job creation.

Investment portfolio

IFC's investment portfolio in Afghanistan has more than doubled since FY08 – from around \$58 million to about \$135 million, as of end September 2014. Currently, IFC's portfolio includes two investments in the telecommunication sector (Mobile Telephone Networks – a joint project with MIGA – \$65 million, and Roshan Telecom – \$65 million), one investment in the hotel sector (TPS – \$3 million), and two operations in financial markets (First Microfinance Bank – \$2 million equity, Afghanistan International Bank – trade facility). These investments have had a transformational impact, particularly in the microfinance (in terms of access to finance and outreach) and telecommunication sectors.

Through the project with the First Microfinance Bank (FMFB), 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 Mobile Telephone Networks (MTN) and more recently in Roshan Telecom. Going forward, IFC is looking to expand its investment program in Afghanistan in the areas of infrastructure, finance, manufacturing, and services.

IFC will continue to seek new investment opportunities and engage with local players

in order to support the development of Afghanistan's private sector, particularly in the areas of infrastructure, finance and micro-finance, manufacturing, agribusiness, and services. The investment pipeline for FY15 looks promising and includes investments in financial markets, 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, small and medium enterprises capacity development, horticulture/agribusiness and Public Private Partnerships (PPPs). At present, there are eight active mandates with a budget of \$5.7 million across all four business lines.

/ ADVISORY SERVICES PROJECTS

Access to finance

IFC is actively involved through: (i) assisting the central bank (DAB) with the setup, launch and implementation of best-practice moveable collateral and public credit registries, in collaboration with the World Bank's Financial Sector Strengthening Program; (ii) building capacity of financial institutions, including IFC's two bank clients; and (iii) helping GoA to establish a regulatory framework for leasing. IFC's past interventions include a comprehensive operational diagnostic of Kabul Bank after its crisis and a review of housing sector lending.

Enterprise development

The Business Edge initiative has launched a second phase with the goal of facilitating business skills training for over 5,200 individuals (including 44 percent women), reaching more than 520 micro, small, and medium enterprises (MSMEs) over the next three years. As part of this project, IFC has partnered with



Local farmers and a program staff member discuss ways to improve crop output. Farmers across the country are benefiting from projects supported by the International Financial Corporation (IFC). IFC, among other activities, has been providing support to small and medium enterprises in the agribusiness sector, targeting farmers and traders and helping them improve productivity.

nine local training providers to strengthen their capacity and enhance the provision of management training services. As of June 2014, phase two of the program has delivered training to approximately 3,000 people (54 percent women) and reached over 300 MSMEs.

IFC has been providing support to SMEs in the agribusiness sector, targeting farmers and traders and helping them improve productivity. IFC also supported the expansion of market opportunities both nationally and internationally. Going forward, IFC will focus on improving farmers' income, through

engaging with local fruit processors and further open market opportunities, reduce vulnerabilities linked to handling fresh produce, and continuing to seek opportunities for commercial processed food products.

Business enabling environment

IFC has two primary interventions aimed at reforming the business regulatory environment. The Trade Licensing Reform Project has been supporting the government in creating a more transparent, efficient, and conducive licensing regime.

IFC has been working with the Kabul Municipality to improve the construction permit process in order to reduce paperwork, processing time, and the number of signatures required to obtain a permit.

Public private partnerships

IFC has focused on power distribution in Kandahar. IFC has been supporting DABS to develop, negotiate, and execute a management support contract to improve the operational and financial efficiency of the Kandahar Operating Centre, DABS' regional department responsible for operations in Kandahar, Helmand, Uruzgan, and Zabol provinces. Following a comprehensive technical and financial evaluation, Power Generation Solutions/Afghanistan Holding Group Consortium won the bid for the management support contract. The contract is the first-ever performance based PPP agreement in Afghanistan and was signed in August 2014.

Furthermore, IFC Advisory Services has been collaborating closely with the World Bank in the Doing Business Indicator Reform project and the Incentive Program in supporting key reforms affecting the private sector.

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, 33 donors have contributed over \$7.3 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. Once a quarter, donors meet 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 has suffi-

cient funding to finance the Recurrent Cost Window and that it retains some flexibility in the approval of projects in support of the NPPs.

The Recurrent Cost (RC) Window

GRANT \$3.17 BILLION

To date, ARTF has disbursed \$3.10 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 scope. Since SY1389 (year 2010) investment

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.

commitments have exceeded recurrent cost commitments. Disbursement rate on ARTF investment as of October 17, 2014, is 55 percent. Decentralized and national rural development programs, such as the NSP, rural roads, and education, have been strongly supported by ARTF.

As of October 17, 2014, there are 19 active projects under ARTF with a total committed value of \$2.31 billion, of which \$1.39 billion have been disbursed and the net undisbursed amount is \$920 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.



A farmer in his wheat field in Panjshir Province who will stand to gain from the Afghanistan Agricultural Inputs Project, which aims to increase adoption of improved crop production technologies. Comprehensive action plans to strengthen research and seed production activities are about to be implemented. Field support for increased wheat production is already ongoing.



/ ONGOING PROJECTS

Afghanistan Agricultural Inputs Project (AAIP)

GRANT \$74.8 MILLION

In an effort to increase adoption of improved crop production technologies, the AAIP was approved on June 17, 2013, allocating \$74.75 million. 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

is invaluable to support continued increase of agriculture productivity.

The project builds the requisite institutional capacity in the ministry for carrying out its public mandate in the agricultural inputs sector. 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 de-

livery 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.

Under Component A, comprehensive action plans to strengthen ongoing research and seed production activities were developed and are now slated for implementation at the Agriculture Research Institute of Afghanistan (ARIA) and Improved Seeds Enterprise (ISE). Meanwhile, field support for

increased wheat production is already ongoing. With AAIP's financial support and technical assistance – through AAIP staff working at six ARIA regional research stations – a total of 40.7 ton unclean breeder seed was produced in 2014, thus exceeding the target of 37.6 metric ton (MT). Similarly a total of 41.7 MT foundation seed and 4.3 MT of registered seed were produced with AAIP support to ISE.

The first batch of candidates for graduate studies abroad comprising a total of 36 MAIL staff members (34 MSc and 2 PhD) from ARIA, ISE, and Plant Protection and Quarantine Directorate-MAIL (PPQD) completed the mandatory English language training and were sent to different international universities in India. In-country training on wheat seed improvement for a total of 47 staff members from ARIA, ISE, Afghan National Seed Organization and Directorate of Agriculture, Irrigation and Livestock was conducted in August 2014. In addition, candidates from the aforementioned agricultural directorates and institutions were identified, and 39 have been selected for short-term overseas trainings and will shortly be sent to Indian agricultural training institutions.

Under Component B, the design of laboratories for the PPQD is ongoing. Design and supervision of construction has been entrusted to the Centre for Agriculture and Bio-Sciences International, a UK-based non-profit intergovernmental organization with ample experience in these matters, to ensure quality in design and construction.

A detailed assessment of entry points across international borders, followed by field visits, was conducted to assess the current situation of existing quarantine stations, and to identify land for their expansion and construction of new ones. Meanwhile, a firm has been contracted and has started work on remodeling the quarantine post parcel office in the Ministry of Commerce and Industry.

Further, the Plant Protection and Quarantine Law was approved by the Legislation Committee of Ministers' Council (LCMC) after rigorous review, and will be sent to parliament after further review by the Ministers'

Council. Also, the initial draft of the pesticides law is undergoing the requisite process in the Ministry of Justice. The AAIP Legal Unit has drafted a fertilizer law, which is being reviewed by a technical committee assigned by the Minister of MAIL and will then be subjected to the MAIL Policy Analysis and Legal Advisor Department for further process.

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 frontline 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 project has been effective since May 31, 2012 and 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: the implementation infrastructure is in place; annual work plans have been prepared; capital investment plans (which will govern all capital investment projects and maintenance and operations expenditures) are under implementation; the development of the legal aid road map (overall policy for the state legal aid) and legal aid regulatory framework, training needs assessments for courts and public defenders' offices are about to be



“Now we are learning better ways to feed, protect and keep them clean, and our animals are so happy. We are getting richer, too.”

—Jan Agha, livestock farmer, Merak Bela Village

FARMER FIELD SCHOOLS keep livestock healthy and improve income

- Livestock farmers in Nangarhar Province are learning to feed their animals properly and to give them prompt medical care as a result of participating in Farmer Field Schools.
- The schools are a key activity of the National Horticulture and Livestock Project, a Ministry of Agriculture, Irrigation and Livestock initiative supported by the Afghanistan Reconstruction Trust Fund.
- The project aims to assist farmers adopt better livestock practices to improve animal production and health.

MERAK BELA VILLAGE, Nangarhar Province – Livestock farmer Jan Agha says he owes his water buffalo an apology. Laughing loudly, Agha explains that he is only half joking, because until recently he hadn't realized that his animals needed better medical care and feeding.

“It is both too funny and too sad to now think of the things that we did,” says Agha, 41. “But we didn't know what was wrong then. Now we are learning better ways to feed, protect, and clean our animals, and they are so happy. We are getting richer, too.”

After years of livestock tending, Agha says the transformation happened when he started attending a Farmer Field School (FFS) in his village of Merak Bela in Behsood District in Nangarhar Province. The classes, offered twice a month in the village, are a key component of the National Horticulture and Livestock Project (NHLP), a Ministry of Agriculture, Irrigation and Livestock initiative with support from the Afghanistan Reconstruction Trust Fund. The project's objective is to assist producers in adopting improved livestock practices to increase their productivity.

Agha says the project is not only helping his animals, but also putting more money in his pocket. His income has tripled now because of the project. “Before, our cows were producing maybe 3.5 liters of milk per day and now it can be 10.5 liters.”

Schools result in immediate benefits

In Agha's village, on the banks of the Kabul River across from Jalalabad, the NHLP project started in January 2013. Some 30 groups of farmers have formed (10 of men and 20 of women who primarily manage poultry) for FFS classes in Nangarhar Province.

At each class, a different topic is discussed. Livestock farmer Toryalay says he learned about hygiene for milk collection, proper stabling for buffalo, and treatments for common diseases like mastitis, influenza, and bloat,



a digestive disorder that can occur when animals eat too much fresh grass. Now, Toryalay says, he knows how to properly handle these issues or to seek prompt veterinary care. In the past, he recalls, home remedies like feeding sick animals cooking oil or ghee just weakened or killed them.

Instead, healthy animals mean a healthy profit, says Toryalay. “Alive a cow can be worth AFN200,000 (about \$3,500), but if it is sick and has to be butchered it may then be worth only AFN50,000 (about \$880).”

Local veterinarian Dr. Amin Shafiq, who helps run the FFS classes, says there is already demand from other villages for the project. “People are hearing about the positive results and they can see the immediate benefits from what others are learning, so it's been very good both for the animals and their keepers.”

contracted; civil service reform in the AGO has been advancing according to plan (a number of critical positions have been advertised and new staff have been hired through a competitive process); training programs for prosecutors focusing on white collar and corruption related crimes is on its way; and the construction of the Information and Administrative Center of the Supreme Court and two other provincial offices have been completed.

Eight legal aid offices have been strengthened and two legal aid offices have been opened. More than 60 percent of the civil servants in the Attorney General's Office have been moved to the Pay and Grading System. Construction of two appellate courts and two AGO offices and refurbishment of the AGO headquarters (HQ) have been completed. Significant progress has been achieved in the implementation of the pilot IT networks in the AGO HQ and the first and appellate courts in Kabul. Five legal libraries have been opened by the Supreme Court and AGO.

The project has ambitious objectives for structural reforms and development of an improved legal services regulatory framework. Right-sizing of the sector according to the demand for legal services will require strong policy dialogues between the Bank and judicial institutions.

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. At present, surveys of 148 schemes have been reported to be completed. Out of these, designs of 128 schemes have been prepared and contracts for construction of 86 schemes have been awarded. About 60 schemes covering an area of some 12,935 hectares have been completed.

As of August 2014, a total of 146 staff members of MAIL and provincial Department of Agriculture, Irrigation and Livestock (DAIL) have been trained overseas. A total of 225 staff members have been trained in topics ranging from on-farm water management, modern irrigation practices, system of rice intensification quality control and quality assurance construction, and social mobilization. Moreover, Irrigation Department staff at the provincial level is continuously receiving on-the-job training from project staff. Five office buildings for regional MAIL offices have been completed.

Afghanistan Power Sector Development Project

GRANT \$60 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-Seraj. It consists of the following 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).

To date, 372 kilometers of distribution lines have been constructed or rehabilitated under the project. A total of 17,224 kilovolt-amps (KVA) was installed in Charikar, Gulbahar and Jabul-es-Seraj, while 14,982 KVA were installed in Pule Khumri. The project is



More than 370 kilometers of distribution lines have been constructed or rehabilitated under the Afghanistan Power System Development Project. The project supports the Government of Afghanistan in increasing access to grid power, and the quantity of power available to consumers in four target urban centers.

supporting the energy efficiency activities of MEW through the setting up of an Energy Efficiency Unit. A consultant was selected to carry out a national awareness program for energy efficiency, which was completed in July 2014. Another contractor was also procured for three energy efficiency demonstration programs, all of which have been completed as well.

Afghanistan Resource Corridor Project

GRANT \$70 MILLION

The grant will prepare a platform of 'hard' and 'soft' infrastructure enabling Afghanistan to derive broader economic benefits from the development of its extractive industries. The

grant will focus on four components: (i) infrastructure corridor investment preparation which includes private investment support, road rehabilitation, and key road maintenance; (ii) livelihood component consisting of a matchmaking facility to increase local content as well as skills matchmaking; (iii) environment and social impacts component including land identification and support to land project preparation, as well as facilitation of community development agreement implementation; (iv) capacity/governance to strengthen public private partnership capability, and support Civil Society Organizations (CSOs) for accountability, project implementation agencies, and communications.

The grant aims to achieve the following:

1) Five large infrastructure investments – public, or public-private – optimized to deliver public goods under uncertainty, ready to

begin construction alongside or prior to next round of large extractive investments.

2) Travel times for both extractive industries and general public to remain at least constant or at best, improved along a critical resource corridor highway.

3) Skills provision (public and private) closely targeted to extractive industry investor requirements, enabling 70-80 percent local employment in direct jobs in the sector, estimated to be around 5,000-8,000 in the initial years, depending on timing and scale of investments.

4) Benefits increased in wider economy through national and local firms supplying part of 15 moderate capability sub-categories of goods and services for Amu Darya and Aynak, plus 50 percent (by value) of low capability goods and services.

5) Effective land acquisition enabled along proposed road, rail, and transmission routes through land title clearance.

6) Ongoing community benefit sharing around major extractive investments through implemented community development agreements.

The program is slated to take place from December 2013 to December 2018.

Capacity Building for Results Facility Project for Afghanistan

GRANT \$100 MILLION

The project will assist the government in improving the capacity and performance of core line ministries in carrying out their mandates and delivering services for national priority programs. This will be achieved through the implementation of specific capacity and institution building programs, which include systematic monitoring of and reporting on results.

The grant will help 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 Finance and the Independent Administrative Reform and Civil Service Commission are jointly implementing this project. The government has approved the core operational policies, and the Ministries of Agriculture and Communication were approved as the first top tier ministry, enabling it to recruit a substantial number of skilled civil servants to implement its Capacity Building for Results (CBR) reform program. The Ministry of Mines was recently approved and the Ministry of Health is in the final stages of program development with other ministries in earlier stages of development (e.g., Ministries of Education, Rural Development, and Commerce).

Recruitment of senior level civil servants funded through CBR is progressing; a total of 99 active senior management group positions is currently funded with 45 more in various stages of recruitment. CBR is also encouraging salary harmonization for donor-funded consultants led by the World Bank, which is applying the CBR salary scale to its project consultants. Mid-Term Review of the project was concluded in February 2014, and restructuring will take place shortly to accelerate progress.

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.

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. 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, by facilitating 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 to 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 implementation 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 (KM) is responsible for implementing the project. The project objectives

A 10-year old girl with her sister squat by a recently constructed road in a suburb of west Kabul. The streets in this area have been improved along with easier access for residents and visitors. Under the Kabul Municipal Development Program, service delivery and the city environment are set to improve further. The project is expected to deliver welfare and human development benefits to over 770,000 people through different municipal services.



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 project is expected to deliver welfare and human development benefits to approximately 777,380 people through services provided in 1,773 hectares of government-owned 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 to its people. The plan will enhance KM's legitimacy when implemented.

Since approval of KMDP on 11 April, 2014, \$6 million has been disbursed. Twenty *Guzars*

(neighborhoods) have been upgraded, benefiting over 184,000 people, and another 15 are planned for the coming year, which will benefit 99,231 people. Four contracts for trunk roads were awarded in 2013, of which three have been completed.

Kabul Urban Transport Efficiency Improvement Project (KUTEI)

GRANT \$90.5 MILLION

The project targets improvement of transport services through a package of interrelated interventions to build Kabul Municipality's capacity. 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.

The Design Review and Site Supervision Consultant is on-board. The National Competitive Bidding (NCB) civil works contracts have been awarded and work is in progress. The design reviews for all International Competitive Bidding (ICB) contracts have been completed and ready for procurement. The Wazir Abad Canal survey and design has been completed and is under the Project Management Unit review. To date, the project has disbursed \$5 million.



A farmer (right) consults a National Horticulture and Livestock Project (NHLP) leader from the Afghan Department of Agriculture about his property in a village in Jalalabad, where he is growing lemon trees. The NHLP has helped the farmer start his crop by providing the trees and fertilizer. 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.

National Horticulture and Livestock Project (NHLP)

GRANT \$100 MILLION

The National Horticulture and Livestock Project, effective since January 2013, has a total funding of \$100 million including initial allocation of \$50 million. The 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 de-

livery 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 100 focus districts spread over time as conditions warrant in up to 22 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.

By the end of its six-year project cycle, the NHLP aims to achieve the following key results: 97,500 target farmers exposed to and understanding a horticulture production practice and its benefits; 6,000 hectares (ha) of orchards rehabilitated directly and indirectly; 8,000 hectares of new orchards (including vineyards) established with at least 70 percent survival rate; 800 hectares of grape trellising; 500 hectares of dry land horticulture (new pistachio groves planted); 20,000 kitchen gardening schemes established; 50 percent of target farmers adopting regular livestock inoculation (or veterinary field units stocking inputs recommended in extension messages); and 75 percent reduction in animal brucellosis prevalence in target areas.

As of September 2014, the project has financed the establishment of 4,414 hectares of new orchards (against a target of 800 hectares), of which 30 percent are in new provinces. Similar substantial achievement has been recorded for rehabilitation of orchards (29,192 hectares actual against a target of 6,000 hectares). In addition, demand from target beneficiaries for kitchen gardening support has proved very high, and the entire annual program was amply exceeded (34,695 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 566 ha – against an overall target of 500 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.

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 74 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 an overall target of 133,000 – in 138 districts of 19 provinces.

The establishment of AHSCS initially focused on a brucellosis control program in 348 districts of 34 provinces. Through this program, 430,000 young cattle (20 percent of the whole population) and 2.2 million young sheep and goats (20 percent of sheep and goat population) have already been vaccinated. Supervision and monitoring of the vaccination program was conducted jointly by MAIL and NHLP.

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 targeted 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. Under this component, 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 to date include: recruitment of international consultants for NATEJA has progressed by about 70 percent; recruitment of local staff for NATEJA has progressed by about 80 percent; the first standing committee meeting for the project has been held; and the first draft of a plan for NATEJA/ National Skills Development Program integration with the General Directorate for Skills Development has been developed.

Second Public Financial Management Reform Project

GRANT \$75 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 although 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 the 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,

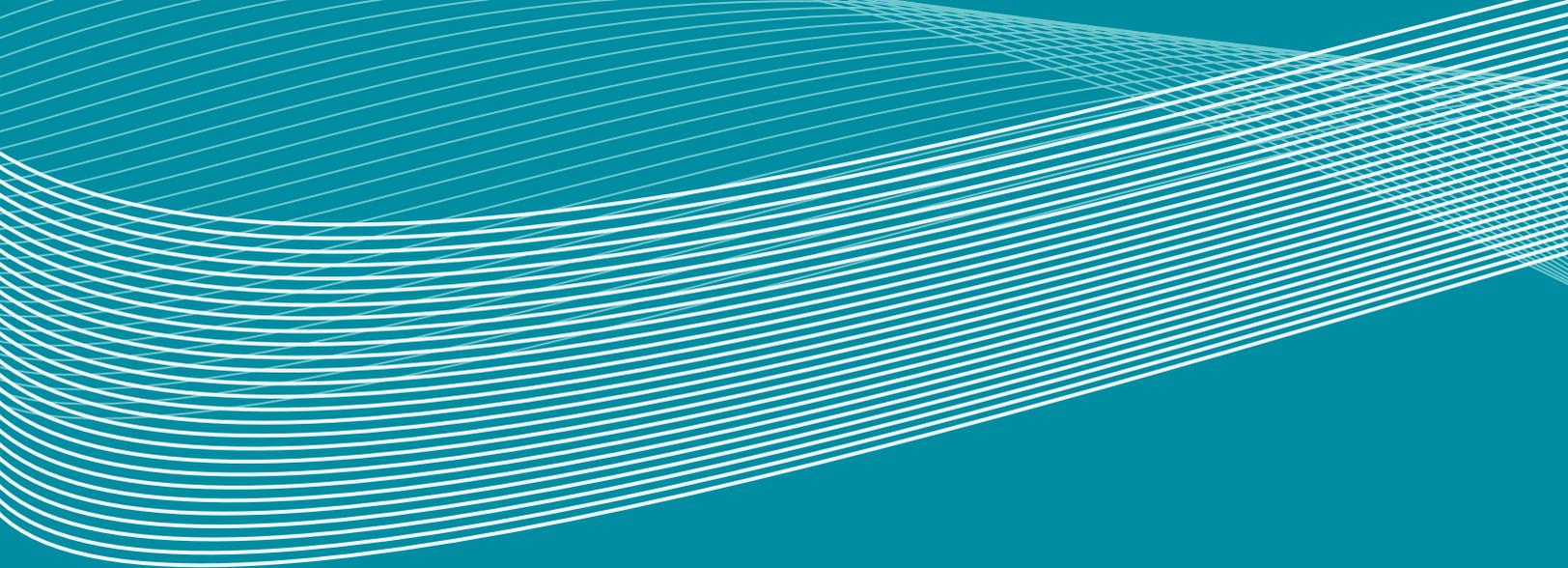
expertise, and practices in using the services and results of other auditors and experts in line with International Auditing Standards, in particular for project audits. Support also given for consultant services to train staff and lead high quality independent review of all operations under the budget 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.

Some progress has been made to date. The legal framework underpinning public financial management has been established. A comprehensive budget has been prepared in an orderly and transparent manner by the cabinet executive and approved by parliament. A government-wide integrated financial management information system is in place.

On the basis of these advances, the following outcomes have been generated: (a) all transactions under the budget are now effected online through AFMIS with the corresponding benefits of automated controls; (b) since 2008, monthly financial statements covering central government have been published and operating units can produce on their own customized statements from AFMIS at any time updated budget execution reports; (c) every year since 2006, the audited annual appropriation statements of Government expenditures (Qatia) have been 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.

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



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