

# The World Bank in Afghanistan

COUNTRY UPDATE

January 2007



Winter in Kabul. Kabulis witness the hardest winter this year, as snowfall reached 70 centimeters.

*“Development, especially in an environment as complex and uniquely challenging as is found in Afghanistan, is a short-, medium-, and long-term challenge. It is critical for the international donor community to acknowledge that this process will require its engagement for a significant time to come. We have all learned that in conflict and post-conflict countries, where capacity and institutions are fragile, building or rebuilding both infrastructure and institutions are key ingredients to success, but to be done correctly takes time,”* said **Mr. Graeme Wheeler, World Bank Managing Director, who recently visited Afghanistan.**

## INTRODUCTION

On November 18-19, 2006, the second Regional Economic Cooperation conference was held in New Delhi, India. The conference was a follow up to last year's conference which looked at priorities for regional cooperation and set out an agenda for moving forward. Agriculture, electricity trade, energy, transport, and trade facilitation in the region surrounding Afghanistan were some of the main issues discussed at the conference. A “New Delhi declaration,” adopted at the end of the conference, urged neighboring countries to open up aviation and other facilities to make transportation easier in the area. For more information, please visit, <http://meaindia.nic.in/srec/>.

On November 12, 2006, the high-level Afghan-International body charged with overseeing the Afghanistan Compact met to examine progress so far and ensure continued momentum despite an ongoing insurgency in the south and east of the country. The meeting was the third quarterly session of the Joint Coordination and Monitoring Body (JCMB). Among those attending was a visiting delegation of the United Nations Security Council. The JCMB oversees implementation of the goals of the Afghanistan Compact – the five-year blueprint for reconstruction that was signed in February 2006 at the London Conference on Afghanistan. For more information, please visit <http://www.and.s.gov.af>.

## WORLD BANK SUPPORT

Since April 2002, the World Bank has committed over US\$1.25 billion for 22 development and emergency reconstruction projects and two budget support operations in Afghanistan. This support comprises US\$816.8 million in grants and US\$436.4 million in no-interest loans—known as “credits.” Two budget support operations and emergency public works, infrastructure reconstruction, and education rehabilitation projects have so far been completed.

The Afghanistan Reconstruction Trust Fund (ARTF), administered by the World Bank on behalf of 25 donors and managed in conjunction with Asian Development Bank, Islamic Development Bank, United Nations Assistance Mission for Afghanistan, and United Nations Development Program, remains the main mechanism for providing coordinated funding support to Afghanistan's recurrent budget and investments in line with agreed budget priorities of the government. As October 22, 2006, 25 donors had pledged US\$1.66 billion to ARTF, of which US\$1.45 billion has been received.

**Main objectives of the Joint Coordination and Monitoring Board (JCMB) are to:**

- Provide high-level political support for the Afghanistan Compact;
- Provide direction to address significant issues of coordination, implementation, financing for the benchmarks and timelines in the Compact, and any other obstacles and bottlenecks identified either by the government or the international community;
- Report on the implementation of the Compact to the President, National Assembly, the UN Secretary General, the donors, and the public.

The JCMB consists of seven representatives from the Afghanistan Government and 21 representatives from the international community.

The group of 21 representatives from the international community is made up of the Special Representative of the Secretary General (Co-chair) and delegates from the United States, United Kingdom, Japan, Germany, European Union, India, Pakistan, Iran, China, Saudi Arabia, Turkey, Russia, International Security Assistance Force, Coalition Forces, Canada, Netherlands, Italy, France, the World Bank, and the Asian Development Bank.

The Japan Social Development Fund (JSDF), administered by the World Bank, has provided a special window for Afghanistan which operates in a harmonized manner to support national programs of the government. By January, 2007, Japanese contribution to JSDF reached US\$49 million.

The World Bank has provided advice to help the government manage donor funds effectively and in a transparent way. The World Bank also supported the government by providing analytical work on the economy, public administration, gender, poverty, the opium economy, and an ongoing public finance management (PFM) review. The Bank has actively supported key reforms, particularly in the fiscal and public administration spheres and through its budget support operation. 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 is most critical.

**STATUS OF ONGOING OPERATIONS**

**Emergency National Solidarity Project (NSP) (US\$305 million Grant, US\$156.4 million ARTF Grant, and US\$26 million JSDF Grant):**

This is the Government of Afghanistan's flagship program to support small-scale reconstruction and development activities identified by local Community Development Councils (CDCs) across the country. The World Bank is the main source of financing for NSP. Other sources include: the Afghanistan Reconstruction Trust Fund (ARTF), the Japanese Social Development Fund, and several bilateral contributors. Since September 2003, it has reached over 14.9 million Afghans (around 78 percent of Afghanistan's estimated 19 million rural inhabitants). Around 15,404 communities have elected CDCs. Over 19,914 community projects have been financed, of which more than 8,631 projects have been completed. About 80 percent of the community projects involve infrastructure such as irrigation, rural roads, electrification, and drinking water supply, all critical for the recovery of the rural economy, stability, and governance. The community projects financed under NSP focus on social and economic infrastructure and are based on the priorities of the rural population. Of the current 19,914 funded community projects, about 26 percent are for supplying drinking water; 18 percent for the rehabilitation of irrigation systems; 21 percent to improve transport infrastructure (roads, bridges); 15 percent for the provision of energy (generators, micro-hydro, solar energy); 9 percent to improve livelihoods and generation of income; 5 percent for education infrastructure; and 1 percent for other investments. The NSP is active in 276 districts in all the country's 34 provinces. As of 04 January 2007, US\$249.5 million of block grant installments had been disbursed out of US\$278.1 million committed to community projects. The NSP start-up phase (US\$22 million) was funded under the Emergency Community Empowerment and Public Works Project in June 2002. More information is available at <http://www.nspafghanistan.org>.

**National Emergency Employment Program (NEEP)**

There are three ongoing projects under the overall NEEP umbrella administered by the Bank. Please see under JSDF and ARTF for the two other projects.

**National Emergency Employment Program for Rural Access (NEEPRA) (US\$39.2 million Credit/Grant):** NEEPRA was initiated in



Members of a community council discuss their priority needs in Bamiyan Province

**The World Bank strategy for Afghanistan focuses on three areas of support:**

- Building the capacity and accountability of the state, primarily to ensure the provision of services that are affordable, accessible, and of adequate quality for citizens.
- Promoting growth of the rural economy and improving rural livelihoods.
- Supporting growth of a formal, modern, and competitive private

July 2003 with the objectives of assisting the government in providing targeted social protection and in the improvement of key rural access infrastructure for improving livelihoods of the rural poor in Afghanistan through: (i) the provision of emergency short-term employment opportunities for the poor on labor-based rural access infrastructure improvement subprojects; and (ii) technical assistance for the implementation of NEEP. A secondary objective of the project is to repair key rural access infrastructure and assist the government in mobilizing donor support for its National Emergency Employment Program. The project will achieve this objective through labor-based rural access infrastructure subprojects, and technical assistance to NEEP. About 1,400 km of roads and 3,000m of cross drainage structures (including bridges), as well as eight airstrips/airfields (Faizabad, Ghor, Faryab, Zaranj, Gardez, Badghis, Farah, and Kabul) have been rehabilitated, against targets of 2,000 km of road and 2,300m of cross-drainage structures. A minimum of 2.2 million unskilled labor days of short-term employment were generated against the original target of 6 million labor days. Physical progress of works under NEEPRA is about 95 percent.

**Public Administration Capacity Building Projects (US\$45.4 million Grant):** A series of three operations support Afghanistan's efforts to establish a transparent, well-functioning public administration leading to better use of public resources. The grants are funding consulting firms that are helping government officials carry out procurement, treasury, and internal and external audit functions. In addition, the projects are developing public administration capacity, assessing existing systems, and recommending suitable policy reforms. Training is being provided for the entire staff of the Internal Department of the Ministry of Finance. The operation also helps the Independent Administrative Reform and Civil Service Commission develop and oversee the implementation of a public administration reform program, including merit-based senior civil service appointments and management; reform, and restructuring of key departments, ministries, and agencies; and introduction of a new pay and grading policy for the civil service. Activities include:

**Financial Management Agent:** A computerized check issuance system, coordinated with the Treasury Department in the Ministry of Finance, went on-line in Kabul in October 2002. As a result, real-time reporting is possible for all expenditures processed in Kabul, and weekly reports on budget expenditures are now sent by the Ministry of Finance to the Cabinet. Progress continues on the management of payrolls. Payments are processed promptly, and all budget operations are reliably reported.

**Procurement Agent:** The procurement advisor has facilitated 351 government contracts valued at US\$1 billion. Training in procurement rules and procedures has been provided for over 110 ministry staff, with more courses planned. A new procurement law has been enacted, and related regulations and bidding documents have also been prepared.

**Audit Agent:** The audit advisor has assisted the Control and Audit Office with the audits of IDA projects, Afghanistan Reconstruction Trust Fund (ARTF) projects and cost expenditures, and the state budget. In addition, over 100 staff have participated in various training courses including computer and language training, technical audit, and modern audit working practices and procedures. A strategic development plan



A bridge being built through National Rural Access Program in Kunduz Province.



A school building was built in Herat Province.

is under preparation along with a review of the legal framework associated with audit activities.

**The Education Quality Improvement Program (US\$35 million Grant and US\$5 million ARTF Grant)** provides teacher training and grants to communities for the rehabilitation of school buildings and quality inputs such as teaching and learning materials through Provincial Education Departments and the facilitation of NGOs. The project has expanded into eleven provinces of Kabul, Helmand, Zabul, Kandahar, Paktika, Badakhshan, Logar, Bamyan, Parwan, Kapisa, and Khost.

**School grants for quality enhancement** are used based on school improvement plans prepared by School Management Committees (SMCs) and Parent Teacher Association (PTAs). SMCs and PTAs receive technical assistance from provincial education directors and district education directors and the implementing agencies to implement quality improvement activities such as teacher training, additional teacher support supervision, educational materials and supplies, supplementary readers' toolkits, workshops, seminars, meetings and transportation for teachers and PTA members for their participation in such activities. In total 2,516 schools in all 11 provinces will receive these grants. So far about 40 percent of these schools have received their grants and are implementing their proposed activities based on their approved school improvement plans.

**School grants for infrastructure development** are used to rehabilitate and construct existing registered government schools based on priority criteria described in the project design such as: first priority will be given to girls' schools, second to schools with both boys' and girls' sections/shifts, and third boys' schools that plan to open up a section/shift for girls. Schools will be rehabilitated and constructed based on improved building models developed by the construction department of the Ministry of Education. Three hundred six schools in all 11 provinces will be rehabilitated and constructed by these grants.

**Teacher Education Program** aims to develop national teaching standards, a unitary teacher education curriculum, a national in-service training system that provides continuous training and support for all teachers, and a comprehensive national pre-service training system. So far, in addition to the training of master and core trainers for the program, teacher training has taken place in six provinces.

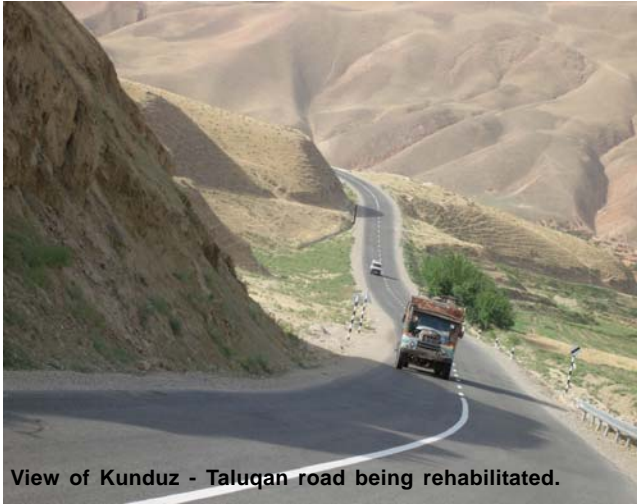
**Policy Development, Monitoring and Evaluation** grant is helping to develop capacity at the Ministry of Education for policy formulation, monitoring, and evaluation.

**The Strengthening Higher Education Program (US\$40 million Grant)** aims to progressively restore basic operational performance at six core universities in Afghanistan—Kabul Polytechnic University, Kabul University, and four regional universities (Balkh, Herat, Kandahar, and Nangarhar)—through partnership programs with universities in the region and in the west and competitive block grants. In addition, funds will be provided for an institutional base for the development of an agenda focusing on tertiary education development, capacity building, and reform. The program is envisaged as the first phase of a long-term higher education development program in Afghanistan, acting as a catalyst to attract various resources to the Afghan tertiary education sector.

**The Emergency Transport Rehabilitation Project (US\$108 million Credit and US\$45 million Grant)** is helping to remove key transport



Two Bamiyani kids are attending a school near Bamyan capital.



View of Kunduz - Taloqan road being rehabilitated.

bottlenecks on an emergency basis and also supports the government's efforts to rehabilitate both highway and civil aviation programs. The work will improve physical access to goods, markets, and administrative and social services, all critical to Afghanistan's economic and social recovery. In May 2005, a supplemental grant of US\$45 million was approved to increase the project budget for Kunduz – Taloqan – Kishem road rehabilitation and other components for the satisfactory completion of the project. Most of the highway and civil aviation components were completed by summer 2006, and the remaining road components (Taloqan-Kishem, etc.) and technical assistance studies are under implementation.

**Salang Tunnel Rehabilitation:** In July 2004, the Salang tunnel work was completed, opening the 2.7 km tunnel for two-way traffic for the first time since 1997. Work included reconstructing collapsed snow galleries, ventilation shafts, and buildings and installation of ventilation equipment, tunnel lighting, and electric power generators. The tunnel is believed to have one of the highest

altitudes (3,400m) in the world, and covers a critical section of the highway that connects the city of Kabul to eight provinces and Afghanistan to both Uzbekistan and Tajikistan.

**Emergency Road Repairs:** The Bank is also financing the upgrading of the road from Kabul to Kunduz and onwards to the Tajikistan border at Sher Khan Bandar, Kunduz – Taloqan, as well as a 68 km section of the Taloqan – Kishem road. The overall road components from Kabul to Doshi and from Pol-I Khumri to Kunduz are now complete. The remaining section from Kunduz to Sher Khan Bandar was completed in April 2006. The Taloqan – Kishem section is expected to be complete by middle of 2007.

**Civil Aviation:** The Bank is also financing some emergency needs in the civil aviation sector including runway rehabilitation, emergency de-mining, and fencing of the Kabul International Airport. In addition, funds will provide navigation and communication equipment for Kabul and other provincial airports. The Kabul Airport runway was formally inaugurated on August 9, 2005.



An OPD receives medication after being examined in a clinic in Ghazni Province.

**The Health Sector Emergency Reconstruction and Development Project (US\$94.8 million Grant)** is helping to expand delivery of high-impact basic health services and ensure equitable access, particularly for women and children in underserved rural areas. It has contributed to ensuring that 82 percent of the population has access to primary health care. Independent evaluation indicates that the quality of care had improved significantly and the number of patients served has more than tripled. The project has also helped ensure the Ministry of Public Health's stewardship over the sector through a greater role in healthcare financing, the coordination of partners, and oversight of nongovernmental organizations (NGOs). In February 2006, a supplemental grant of US\$30 million was approved to increase the project budget to expand provision of basic health services in eight new areas across the country where no clinics have been established and where health services have rarely been provided. The supplemental grant also supports the provision of vaccines for immunization campaigns (polio, measles, and neonatal tetanus). Activities include:

Seven Afghan and five international NGOs are providing services in eight provinces (Helmand, Farah, Badghis, Sari-Pul, Balkh, Samangan, Wardak, and Nimroze) as well as six clusters of districts in other underserved provinces (Badakhshan, Baghlan, Ghazni, Khost, Paktia, and Pakitka). More than 200 new health facilities have been established, and 85 percent of them now have female staff. Thousands of community

health workers have been trained and deployed to promote healthy behaviors and provide first aid. With support from the project hundreds of community midwives have been trained as a means of reducing Afghanistan's very high maternal mortality. Since September 2004, the Ministry of Public Health has been responsible for delivering services in the three additional provinces of



The radio spectrum installed at Ministry of Telecommunications in Kabul.

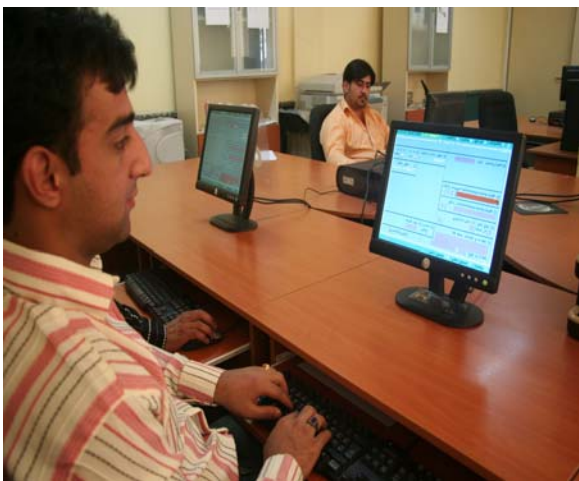
Parwan, Kapisa, and Panjshir. In the meantime, since June 2006, the Ministry is also responsible for delivering Basic Package of Health services in three districts of Kabul province. The project is also financing two research projects on a Safe Water System and Health Care Financing. The Safe Water System is being carried out in Wardak province and is testing a variety of approaches for decreasing diarrhea and other water-borne illnesses by early 2007. The user charge and control arms of the Health Care Financing project are examining a few approaches to community health financing and will be completed by May 2007. Findings from these two pilots will guide policy formulation on safe water systems and revenue generation for the health sector in the future.

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

A US\$14 million Government Communications Network has been launched and is providing internet access and voice telecommunications services, including long distance and international services, to over 30,000 government employees in Kabul and Afghanistan's provinces. A new radio spectrum monitoring system to ensure proper use of the radio spectrum in Afghanistan has been installed and launched in December 2006. All provincial capitals are now also able to videoconference with the President and Ministers in Kabul. In addition, there are over 1.5 million private mobile phone subscribers across the country. The third mobile operator Areeba has commenced services, and Etisalat of the UAE is expected to start services in early 2007. The Afghanistan Telecommunications Regulatory Authority has also been established.

**The Emergency Customs Modernization and Trade Facilitation Project (US\$31 million Credit)** is supporting Afghanistan's efforts to increase customs revenue, reduce transport-related trade costs, stimulate trade, reduce corruption, and streamline border procedures. The project focuses on the development of physical infrastructure at border crossing stations, inland clearance depots, including the Kabul Inland Customs Depot (ICD), transit checkpoints, and the customs facilities at Kabul airport. It will also support policy changes, strengthen the government's administration of the customs and transit systems, including communications and the introduction of computerization, provide technical advice on trade and transit agreements, and assist in the establishment of Authority to set the environment for Standard, Metrology, Testing and Quality in Afghanistan.

Implementation of the ASYCUDA Transit Module has been a major highlight of the project, and has been rolled out successfully along Torkham-Jalalabad- Kabul axis and Islamqala-Herat-Kabul while an accelerated roll out along Towrghundi, Qilatenazar, Mazar, Hairatan is underway. The full customs clearance module will be piloted at Kabul Customs House in January 2007 and will be closely followed by Jalalabad and Herat customs houses. As a result, more than 100,000 electronic customs transit declarations have been lodged by trucks coming into Afghanistan through the two key transit axis since May of 2006 which has also brought down the number of unaccounted vehicles transiting goods to zero. Additionally the electronic system has



Kabul Customs officials use ASYCUDA system in Kabul.

netted US\$2 million to customs in electronic processing fees alone. At the same time, this fee which is US\$20 per truck is a fifth of the earlier fees being levied per truck, which was not being captured by the state treasury. Extensive training related to the use of ASYCUDA has been imparted to customs officials, brokers and traders. All customs locations have been equipped with radio equipment for use in enforcement activities and improving communications. Vehicle registration link with borders for Kabul and Herat Traffic Police have also been established.

The Regional Customs Advisory Unit (CAR) established earlier, is primarily focusing on rapid implementation of the Customs Code through framing of sub-legislation and standard operating procedures (SOPs) and has developed more than 30 different procedures and regulations, as well as 20 forms and reporting formats. A Training Coordination Unit (TCU) has also been established to manage and coordinate the vital need for ACD's capacity building. The TCU has established the Customs Training Institute and has initiated the Fast Track training project through which the first cohorts of Customs officers were sent for training to regional countries. An Afghan Customs Department website has been developed on which the customs tariff, code, procedures and clarifications are available.

Progress on infrastructure delivery has also been satisfactory with more than 56 facilities repaired/constructed and functionally improved. Currently work on the Kabul Customs Headquarters Building is in full swing. Work is also underway for the rehabilitation and improvement of the Kabul and Jalalabad Inland Clearing Depots (ICD). Initiatives under the Trade Facilitation improvement include carrying out of a census of freight forwarders, which assisted in the formation of AFCA (the national Afghan Freight Forwarders Association) and in its gaining membership of FIATA on September 15, 2005. The Association had a general meeting in May, 2006 and elected a board, and an Afghan Freight Forwarders Directory has been compiled. The zero draft of the Afghanistan Memorandum of Foreign Trade Regime is under preparation. Under the project UNCTAD is developing training courses for freight forwarders in order to ensure that this service sector develops into a professional reliable sector that can compete with International freight forwarders and that Afghan Freight Forwarders become parties that are solely responsible for goods in transit. Assistance is also being provided through UNCTAD to AFCA in determining a legislative framework to work within. Preparations for the re-negotiation of the 1965 Afghan Transit Trade Agreement (ATTA) with Pakistan are underway. UNCTAD has reviewed the ATTA and other transit trade agreements with neighboring countries and submitted recommendations for improvement, especially to enable proper implementation.

Afghan National Standards Authority (ANSA) was established through a Presidential Decree. The project has supported in recruiting 17 staff members for ANSA. Metrology and Quality Trainings of staff is ongoing in Kabul. The Standards Law for Afghanistan has been discussed and drafted. Procurement of Mobile Metrology and Petroleum Oil and Lubricants (POL) laboratories is in process. ANSA has trained and identified surveyors, and conducted the first sampling, for the Product Baseline Study, at Herat, Hairatan, Torkham, Kandahar and Kabul (all critical import entry points). Sampling and baseline testing of Cement, Reinforcing steel, Foods stuffs, and Pharmaceuticals is underway. ANSA has been accepted as a correspondence member of ISO (the International Standards Organization), giving it international recognition and access to information, tools, standards, and the international network of National Standards Bodies and other Quality-related institutions and experts.

**The Emergency Irrigation Rehabilitation Project (US\$40 million Credit and US\$35 million ARTF Grant)** is helping to provide water to farms in the project areas with improved reliable and equitable distribution of irrigation water to increase agricultural productivity and farm income, improve food security and livelihoods, and reduce vulnerability due to droughts through the

rehabilitation of the national irrigation system in all five river basins of Afghanistan. To date, six regional offices in Kabul, Jalalabad, Kandahar, Balkh, Kunduz, and Herat have been established to develop institutional capacity at the local level. As of December 31, 2006, 635 subproject proposals costing about US\$50.3 million have been prepared. Out of these subproject proposals, 523 subprojects totaling US\$34 million to bring 289,825 ha of land area under irrigation have been approved; contracts for 399 subprojects worth US\$16.4 million have been awarded and are ongoing; and 267 subprojects have been completed. In addition the first phase of the works under the contract for the emergency repair works to Band-e-Sultan Dam costing about US\$500,000 have been completed, and design for the second phase of this project has been reviewed and submitted for approval. The work under the Feasibility Study of the Lower Kokcha Irrigation and Hydropower Multipurpose Project on

Irrigation system rehabilitated in Herat Province.



the Kokcha River in the Amu River Basin is ongoing. The contract is expected to be completed (Euro 2.2 million) in 18 months, and the final feasibility report is expected by August-September 2007.

**The Afghanistan Investment Guarantee Facility (US\$5 million Credit)**, together with the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, has provided US\$1.07 million in investment insurance (guarantees) for a cotton project in northern Afghanistan. The guarantees will protect the investment against the noncommercial risks of currency transfer restriction, expropriation, and war and civil disturbance, including terrorism. The project, the first investment in Afghanistan to be guaranteed by MIGA, will provide technical and financial assistance to cotton growers in northern Afghanistan to increase cotton production and yield, as well as upgrade the region's capacity for ginning cotton and producing cottonseed oil.

The Facility is in the process of processing two definitive applications in the financial sector and one in the telecoms sector. Facility applicants seeking coverage submit a confidential preliminary application before the investment is irrevocably committed. There is no fee charged. Once the investment and financing plans are established, applicants submit a definitive application along with any relevant project documentation. A fee is charged for the definitive application. The total investment for the three projects is US\$98 million. The Facility has also received 17 preliminary applications with investments totaling US\$234m in various sectors including manufacturing, financial services, and cement production. The Facility is presently following up each of the preliminary application to determine their investment status and potential for guarantee issuance.

**The Kabul Urban Reconstruction Project (US\$25 million Credit)** is supporting reconstruction and rehabilitation in 45 of Kabul's most vulnerable neighborhoods where the majority of the urban poor live in informal settlements. The objective is to assist approximately 250,000 residents in gaining access to basic services such as water, sanitation, and solid waste management, and in obtaining secure land tenure. It will help to mend the urban fabric of this important city that is struggling to accommodate thousands of returnees. Building capacity in both the Ministry of Urban Development and Housing and Kabul Municipality are critical components of the project.

**The Emergency Power Rehabilitation Project (US\$105 million Credit and US\$20 million ARTF Grant)** aims to improve supplies of electricity to Kabul through the rehabilitation and expansion of city distribution network, connection of the future North East Transmission System to the Kabul city grid to allow the import of lower cost power to Kabul, rehabilitation of the 100 MW Naghlu Hydropower Plant (the largest generation station supplying Kabul) and the associated transmission line, and the restructuring and commercialization of the power utility to improve service delivery. The project is expected to be completed in 2010.

**Urban Water Sector Project (US\$40 million Grant)** aims to initiate actions to: (i) transform the Central Authority for Water Supply and Sewerage (CAWSS) into a technically viable operation; (ii) establish the financial sustainability of the Afghan Urban Water Supply and Sanitation Company (AUWSSC, CAWSS' successor); (iii) increase access to and reliability of the water supply service in Kabul; and (iv) prepare a follow-up project under which more substantial institutional and financial objectives could be achieved and coverage further expanded in Kabul and provincial towns. To achieve these objectives, the project includes three main

components: (i) institutional development of AUWSSC; (ii) financial support to AUWSSC operations; and (iii) an extension of the Kabul water supply system. The project is financed in parallel by the German Development Cooperation.

#### Japan Social Development Fund

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

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

**Emergency Horticulture and Livestock Project (US\$20 million Grant)** is designed to enhance productivity and stimulate increased and more efficient production of horticulture and livestock products. It will improve incentives for private investments and contribute to strengthening institutional capacity in livestock and horticulture subsectors. The project will also make a positive contribution to the government's counter-narcotics agenda. The project is the first stage in a program that will unfold over the coming decade to support the horticulture and livestock subsectors nationwide.

**Sustainable Development of Natural Resources Project (US\$30 million Grant)** supports a number of measures to ensure competition, transparency, and adherence to international investment standards. In many countries this is a sector prone to corruption, and this project will help ensure the revenues from these valuable resources are available to the country as a whole and not captured through corrupt practices. It will also help attract and retain qualified local and international investors. Some of the innovative approaches the government will use to manage the sector include the Extractive Industries Transparency Initiative – a set

of principles that support improved governance through full publication and verification of company payments and government revenues from oil, gas, and mining. In addition, an International Advisory Council will be established to assist the government in evaluating the strengths and benefits of proposed contracts for Afghanistan in developing its natural resources.

**Japan Social Development Fund (JSDF): US\$49 million Grant to support innovative post-conflict projects.** Ongoing projects include:

**National Emergency Employment Program for Demobilization, Disarmament and Reintegration, and Rural Livelihood Support (NEEP DDR/RLS) (US\$19.6 million Grant):** The grant was provided to the ongoing NEEP to support its efforts to create employment opportunities for ex-combatants in order to facilitate their re-integration into society and contribute to government's alternate livelihood program in opium poppy producing areas. The JSDF grant will focus on helping former combatants reintegrate into society as a component of the broader Afghanistan New Beginnings Program (a Japanese-funded government initiative). To date, 2,188 ex-combatants and rural poor from poppy growing areas have received classroom training, and most of them are now on job training as paid employees of the contractors on NEEP road/bridges subprojects. In addition, most of the graduates are now hired either under NEEP projects or others in the market. In addition, out of the total planned length of 372 km of roads, 212 km are completed and the remaining is scheduled to be completed within the project duration.

**Creating Future Potential Entrepreneurs: Targeting Youth (US\$2.98 million Grant):** This grant is improving the economic and social status of youth by preparing them for careers and assisting them with developing a means to generate income on a sustained basis. The program will work with boys and girls ages 12 to 28. Construction of the four youth centers in Faryab, Kandahar, Kabul, and Mazar have been completed. Over 2,500 young boys and girls are being trained in vocational skills by the Ministry of Social and Labor Affairs (MOLSA) and contracted NGOs (ASCHIANA, ADA, HAW).

**Capacity Building—First Microfinance Bank of Afghanistan (US\$650,000 Grant):** This project is financing the deployment of a microfinance system and provides relevant training to staff of the Microfinance Bank. Providing access to financing for micro and small businesses will stimulate economic growth and incomes in Afghanistan's post-conflict economy.

#### The Afghanistan Reconstruction Trust Fund

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

The Fund is designed to:

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

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

#### AFGHANISTAN RECONSTRUCTION TRUST FUND

The multilateral Afghanistan Reconstruction Trust Fund (ARTF) was set up in May 2002 to provide support to Afghanistan in two areas. First, it provides for the recurrent costs of the government, such as the salaries of teachers, health workers, civilian staff in ministries and provinces, operations, and maintenance expenditures; and bulk purchases of essential goods for the government. Second, it supports investment projects, capacity building, feasibility studies, technical assistance, and the return of expatriate Afghans.

The ARTF is administered by the World Bank under the supervision of a Management Committee comprising the Asian Development Bank, the Islamic Development Bank, the United Nations Development Program, and the World Bank. To date, 2,188 ex-combatants and rural poor from poppy growing areas have received classroom training, and most of them are now on job training as paid employees of the contractors on NEEP road/bridges subprojects. In addition, most of the graduates are now hired either under NEEP projects or others in the market. In addition, out of the total planned length of 372 km of roads, 212 km are completed and the remaining is scheduled to be completed within the project duration.

As of October 22, 2006, 25 donors had pledged US\$1.66 billion to ARTF, of which more than US\$1.45 billion has been received. Over US\$943 million had been disbursed to the Government of Afghanistan to help cover recurrent costs, and US\$246 million has been disbursed for investment projects.

The ARTF has emerged as one of the main instruments for financing the country's recurrent budget deficit, and is set to evolve into a major source of technical assistance and investment support for Afghanistan.

#### The ARTF Recurrent Costs Window (US\$958 million)

The ARTF recurrent window finances salaries and wages of more than 200,000 non-uniformed civil servants, over half of whom are working outside the city of Kabul, and the government's operating and maintenance expenditures outside of the security sector, including bulk purchases of essential supplies. The SY1385 National Budget includes US\$270 million of disbursements from ARTF for recurrent costs. Over the last three years, the Government of Afghanistan has established a new framework for Public Finance Management comprising the national budget as the main policy instrument, a commitment to transparency, and a centralized computerized system, the Afghanistan Financial Management Information System (AFMIS), to issue checks and record revenues and expenditures of the ordinary and development budgets. Parallel improvements have been made in the Da Afghanistan Bank payment systems.

Currently there are 11 ongoing investment projects funded by the ARTF with combined commitment of around US\$350 million as follows. For ARTF co-financed investment projects, please see above.



A Woman in Herat Province uses microfinance credit to set up her business.

**The ARTF Microfinance Support for Poverty Reduction Project (US\$74.3 million)** aims to assist the government in developing a sustainable microfinance sector that will provide flexible, convenient, and affordable financial services to poor people. The goal is to build an integrated financial sector and remove the barriers that separate the microfinance community from the broader mainstream financial system. In just over three years of operations, the project has provided more than US\$67 million in funds including US\$43 million in loans. There are now 13 microfinance institutions (MFIs) with a network of over 209 branches, in 21 provinces, with nearly 250,000 loan and savings clients. Seventy-five percent of the clients are women, and the repayment rate is 96 percent. In 2006 the sector disbursed US\$7 million in loans every month and added more than 10,000 clients per month. The sector now employs over 2,800 Afghans and has trained over 600 Afghans. The project is also expanding in the seven poppy growing provinces identified by the government to provide alternative livelihood opportunities to poppy growing farmers. The project anticipates that it will reach at least 600,000 poor households in most provinces by the end of 2007. The sector as a whole is already covering 80 percent of its costs from its own income earned from lending activities. Two of the microfinance institutions have already reached operational self sufficiency, and it is believed that most of the other MFIs will achieve sustainability by end of 2007.



President Karzai meets Paktia provincial authorities through a video conference facility.

**The Rehabilitation of Telecommunications Systems Project (US\$6.1 million)** aims to establish international connectivity between Afghanistan and other countries, particularly neighboring countries. The project consists of three components: rehabilitation of the satellite earth station in Kabul, expansion and improvement of transmission links, and the billing system. The expansion and improvement of telecommunication transmission links has been completed and is operational. The satellite earth station at Mahtab Qila in Kabul has also been rehabilitated. The project is expected to be completed by end-December 2006.

**National Emergency Employment Program Phase I (NEEP-1) (US\$36.8 million ARTF Grant):** NEEP-1 evolved from the IDA Grant-funded Labor-Intensive Public Works (LIPW) Roads component of the Emergency Community Empowerment and Public Works Program. The aim of the project is to assist the government in providing employment in rural areas at a minimum wage, as a safety net, to as many people and in as short a time as may be feasible through rural access and irrigation rehabilitation subprojects. Physical works under the original NEEP-1 Grant of US\$16.62 million were

100 percent completed by July 31, 2005. NEEP-1 has been further extended after receiving additional funding of US\$20.2 million from DFID and USAID through ARTF. The extension of NEEP-1 targets the construction and rehabilitation of 520.2 km of roads, 434m of bridges, and will generate 2.64 million days of unskilled labor. Overall a total of 383 subprojects were implemented constructing 2,476 km of rural access roads and 3,073m of cross drainage structures. In addition, 98 natural resource

management subprojects, 25 small irrigation subprojects, and four large irrigation subprojects in Shamalan area were completed. A total of 3.77 million labor days were paid to date.

**The ARTF-financed Urban Water Supply and Sanitation Project (UWSS)** provides US\$41 million to support the government's short-term UWSS Program and has five components: Kabul water supply, Kabul sanitation, provincial towns WSS, engineering support and technical assistance, and financial support to the Central Authority for Water Supply and Sewerage (CAWSS) operations. The first tranche of US\$20 million became effective in February 2005; the second tranche of US\$21 million became effective in November 2005. Investment components are currently at various stages of procurement. Contracts with technical support agencies are ongoing for the Kabul water, Provincial Towns WSS, and CAWSS FSO components. The Kabul water and provincial towns WSS components are based upon feasibility studies that have been completed for Kabul (financed by KfW) and 11 provincial capitals currently served by CAWSS. In addition, the ARTF has also financed feasibility studies for 11 cities not yet served by CAWSS. The Kabul sanitation component is based on the strategic sanitation plan and associated Master Plan covering solid waste, on-site sanitation, and sewerage and storm water drainage. The Financial Support to operations has now been effective since August 2005. It has significantly contributed to building the management capacity in all 14 units of CAWSS, and has generated detailed technical, financial and commercial data for the first time. Following the announcement of the sector policy and institutional development plan in October 2005, a Presidential Decree to corporatize CAWSS was issued in January 2006. The Working Group mandated under the decree has been established by MoUD and MoF. Consultants to support the Working Group mobilized in Kabul in early September 2006.

**The Improvement of Power Supply to Kabul project (US\$7.4 million)** is working to improve the availability and reliability of power supply in Kabul by supplementing and extending activities financed under Afghan-German Financial Cooperation. It has the following three components: partial rehabilitation of Mahipar Hydropower Station, rehabilitation of 110 kV transmission lines, and supply and installation of street lighting in Kabul. The transmission and street lighting components have been completed. The hydropower rehabilitation is expected to be completed by March 2007.

**Rural Water Supply (US\$5 million):** has two objectives: (i) improve the health of rural communities by increasing awareness through integration of health and hygiene education with the provision of water supply and sanitation services; and (ii) strengthen and build the capacities of the central and provincial governments for sector development as well as that of NGOs, the private sector, and the communities so as to scale up provision of sustainable water supply and sanitation services. The implementing agency for this project is Ministry of Rural Rehabilitation and Development (MRRD). The project will initiate support to the government's Rural Water and Sanitation sector development program and will finance: (i) capacity building of: (a) government agencies; (b) NGOs, (c) private sector, and (d) community; (ii) construction of water points and sanitary latrines in rural Afghanistan; and (iii) studies, such as for developing service delivery mechanism for pastoral communities (Kuchis) and "Rural Towns". Procurement of different consultants and contractors are underway to start actual implementation on the ground.

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

The first component—**Afghan Expatriates Program (US\$10 million)**—will increase the contribution of professional Afghans living abroad in the reconstruction of Afghanistan by enhancing public sector policy and institutional capacity. This component also aims to close the skills gap in information technology, engineering, and teaching with well-trained overseas Afghans, by providing local Afghans with opportunities for on-the-job training to enhance their technical skills. Since September 2004, around 92 Afghan Experts have been placed in government ministries and agencies.

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

A new program—the **Managerial Capacity Program (MCP)** to replace the AEP and LEP—is currently under design and is expected to be appraised in February 2007. This program follows from independent reviews of the Afghanistan Expatriates Program and Lateral Entry Program. The key objective will be to build managerial capacity and capacity in the common functions (procurement, financial management, human resource management, project management).

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

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

## **WORLD BANK FINANCED COMPLETED PROJECTS:**

**Emergency Infrastructure Reconstruction Project (US\$33 million Grant)** rehabilitated water supply and sanitation in secondary cities, sanitation in Kabul, and basic electricity for several cities. The project's urban public works generated short-term employment opportunities. The project closed in June 30, 2006 and activities included:

**Rehabilitation of Water Supply Systems** happened in 11 provincial cities (Kandahar, Qalat, Mazar, Shiberghan, Kunduz, Taloqan, Charikar, Mehterlam, Jalalabad, Ghazni, and Gardez). The project undertook rehabilitation and redesign of existing systems, sector development analysis, planning for future operations, and feasibility studies for system expansion. Civil works for upgrading water utility facilities in each of the 11 provincial towns was completed, including new warehouses (except Kandahar), fully equipped workshops, and new office buildings (except Jalalabad, only rehabilitation works in Charikar and Ghazni). About 132 km of pipes were laid, increasing the distribution network by about 30 percent to 585 km. Preliminary data on the 11 provincial towns indicated that overall production capacity has risen from 15,000 to 25,000 cubic meters per day, which translates into an improvement of the average water availability from 6.5 to 10.5 liters per capita per day.

**Solid Waste Management in Kabul:** Between October 2002 and May 2004, over 120,000 cubic meters of solid waste was collected, and 46 community organizations were formed to help solve sanitation problems in Kabul. Teams of professional female hygiene and health educators have, in addition to reaching out to over 68,000 students, visited 160,000 households to teach families safe ways to dispose of garbage.

**Sanitation Improvements in Kabul:** Works have been completed to rehabilitate the Gazak dumpsite, repair eight existing and construct eight new public toilet complexes, and pilot sanitary improvements for row houses in District 11. In addition, the municipality has been provided with new equipment to improve solid waste collection and the disposal system in Kabul.

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

**Increasing Power Supply:** In January 2003, the 45 megawatt Northwest Kabul Thermal Power Station was re-commissioned, after being inactive for 14 years. At the time, this almost doubled the available power supply in Kabul, particularly critical during the winter months, when demand increases by one third. In addition to providing essential tools and equipment and urgent spare parts for distribution systems, several diesel generators have been installed in smaller provincial cities throughout the country which had little or no access to electricity, including Faizabad, Baghdis, Bamiyan, Samanghan, and Uruzgan.

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

**The Emergency Community Empowerment and Public Works Project (US\$42 million Grant):** It supported local income generation and infrastructure rehabilitation through labor-intensive public works. It also strengthened governance at the community level through elected Community Development Councils that planned and managed small reconstruction and development projects funded by block grants. The project was completed on December 31, 2004.

**Programmatic Support for Institutional Building (US\$80 million Credit and US\$80 million Grant):** Two consecutive programmatic support credits for institution building and have been aimed at supporting the implementation of the government's medium-term development strategy. The government has made significant progress in implementing important economic reforms since the World Bank financed the first Programmatic Support for Institution Building project in July 2004. Notable among these achievements are improvements in fiduciary standards; adoption of modern civil service, budget, and procurement laws; and initiation of a significant merit-based recruitment process. The second operation, approved in December 2005, aimed to deepen, broaden, and sustain the reforms underway in the areas of public administration and fiscal management. It also supported the implementation of reforms that lead to a more efficient allocation of fiscal resources in the areas of human development—health and education, in particular—and private sector development.

**The Emergency Education Rehabilitation and Development Project (US\$15 million Grant)** has assisted the rehabilitation of universities through capitation grants, given grants to communities to manage community schools, supported the Ministry of Education to develop a medium-term policy framework and an education management information system (EMIS), and established a government intranet and a global distance learning center. Special emphasis has been placed on increasing access to educational opportunities for girls. The project was successfully completed on 30 June 2006. Activities included:

**Female Internet Café:** A group of female students at Kabul University were assisted by the grant to establish an internet café in April 2005. The café is completely run by female students and is financially self sufficient. The female internet café has so far trained 300 university students in basic computer programs. Moreover, the café has helped nurture a better environment for students—especially females—by giving them a safe environment where they can access the internet and computer programs.

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

**Educational Management Information System (EMIS):** The first Education Management Information System has been established in the Ministry of Education with the completion of database development from school survey 2004. Detailed data of teachers, administrative staff and school buildings from approximately 7800 schools and 110,000 teachers is available in the user-friendly Access database in Dari, Pashto, and English.

**Support for the Ministry of Education at the Provincial Level:** High-frequency radio communication equipment has been provided to each of Afghanistan's 32 provincial education offices to improve school monitoring activities and communications with the Ministry of Education based in Kabul.

**Support for Policy Development:** Technical Assistance has been provided to the Ministry of Education and Ministry of Higher Education to develop a medium-term policy framework.

**Kabul Distance Learning Center:** A distance learning center was established in Kabul in November 2002. It is now used to facilitate sharing of development knowledge between people in Afghanistan and their counterparts around the world through new information and communications technologies. The center is part of the World Bank-Global Development Learning Network.

**Government Internet Connectivity Project:** Eight government agencies (Ministries of Finance, Rural Reconstruction and Development, Foreign Affairs, and Communication; the President's Office; the AACA; and the Central Bank) have been connected to the internet, have access to email for the first time, and are also connected to the Kabul Distance Learning Center.

#### **ARTF FINANCED COMPLETED PROJECT:**

**The Repair of Major Kabul City Roads and Water Drainage Systems Project (US\$3 million)** was completed by June 30, 2005. Its objective was to improve the transport services on important roads within Kabul City through the rehabilitation of high priority road sections, as well as the repair of drainage systems along these roads. This project was the continuation of a German-funded project, through Kreditanstalt für Wiederaufbau (KfW) in Kabul City. Under this project, road repair works consisted of 30 percent of potholes repair and 70 percent of overlay. A total of 47,300 man-days of labor have been created by the road component. In addition, a total 3,660m of new drainage ditches have been constructed, and 4,850m have been reconstructed along the roads. A total of 9,540 man-days of labor were created by the drainage repair component.

#### **JSDF FINANCED COMPLETED PROJECT:**

**NGO Support Program (US\$2 million Grant):** As a precursor to the National Solidarity Program, this Program enabled the Government of Afghanistan to grant funds to NGOs to help communities rebuild. This project was completed in September 2005. Forty-four NGOs have been contracted to work with communities to support subprojects in irrigation, drinking water supply, road repair, school rehabilitation, and income-generation and literacy programs for women. A total of 35 subprojects have been completed. The NGO support program was the first to provide a framework where the Government of Afghanistan and local NGOs could work together and has provided lessons on both how such a collaboration should be organized and the kind of constraints that need to be overcome for this collaboration to be replicated on a larger scale to the Ministry of Rural Rehabilitation and Development (MRRD).

All dollar figures are in US dollar equivalents.

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