

Country Update

THE WORLD BANK GROUP IN AFGHANISTAN

**“I love school.
I love to learn
everything.
I have so many
friends.”**

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IFC ADVISORY
SERVICES PROJECTS

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FROM TRANSITION TO TRANSFORMATION

Formidable challenges remain in poverty reduction, job creation, and service delivery in Afghanistan, in spite of the significant economic and social progress made in the last decade. These challenges were highlighted in the World Bank presentation to the Joint Coordination and Monitoring Board. The presentation concluded that:

- Uncertainty surrounding the security and political outlook will determine the depth and duration of the transition related slowdown.
- The strength and durability of the post-transition growth pick-up will depend on reform progress to stimulate key sectors (agriculture, mining, services) and will require improved security and stability.
- If key sector-specific reforms (e.g. the mining law) are not implemented in the next few months, the new government will face the challenge of advancing a large backlog of critical reforms.
- Recent weaknesses in revenue generation mean that the new government will need to take concerted action to face the challenge of raising revenues annually by 1 percent of GDP during 2015-2018 to meet fiscal targets.
- Progress in reforms and enforcement, improved security and stability, and continued donor commitment to adequate grant assistance will all prove critical in supporting Afghanistan in meeting its formidable poverty reduction, job creation, and service delivery challenges.

NEWS



Addressing Afghanistan's development challenges include reforms to unlock the potential of the agricultural sector and improve farmers' knowledge and skills to increase production and productivity.

AFGHANISTAN: FROM TRANSITION TO TRANSFORMATION

The World Bank made a presentation at the Joint Coordination and Monitoring Board on January 29, 2014, that touched upon three areas: (i) Afghanistan's development progress and challenges ahead; (ii) recent economic and fiscal developments; and (iii) the reform agenda beyond 2014.

Looking beyond 2014, surmounting Afghanistan's poverty reduction and development challenges will require addressing reform priorities in four key areas: (i) ensuring fiscal sustainability by mobilizing revenue, securing grant assistance, and

safeguarding non-security expenditures; (ii) supporting inclusive and job-creating private sector led growth by unlocking the potential of agriculture, services, and natural resource sectors, and by tapping regional integration; (iii) improving the still low levels of human capital and skills; and (iv) continuing to strengthen institutions and governance.

Reforms in four key areas are needed to address Afghanistan's challenges.

⇒ **The presentation is available in English, Pashto and Dari: <http://www.worldbank.org/en/events/2014/01/29/meeting-afghanistan-transition-to-transformation-update>**

WORLD BANK GROUP SUPPORT

World Bank projects and programmes

Since April 2002, the World Bank's International Development Association (IDA) has committed over \$2.66 billion for development and emergency reconstruction projects, and five budget support operations in Afghanistan. This support comprises over \$2.23 billion in grants and \$436.4 million in no-interest loans known as 'credits'. The Bank has 18 active IDA projects in Afghanistan with net commitment value of \$881 million.

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 \$131 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 34.**

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 February 19, 2014, 33 donors have contributed over \$6.94 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 \$2.93 billion have been disbursed to GoA to help cover recurrent costs, such as civil servants' salaries, and over \$2.31 billion had been made available both for closed and active investment projects. As of February 19, 2014, 20 projects are active under ARTF (including the Recurrent Cost Window) with net commitment value of \$4.89 billion.

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

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.

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 January 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 \$283 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 January 2014, EQUIP II has supported the construction of 446 schools: 55 schools using National Competitive Bidding (NCB), i.e. for larger and technically complex buildings, and 391 schools using Community Contracting (CC), i.e. for simple structures where construction is managed by communities. An additional 384 CC and NCB schools are currently under construction. It is estimated that over 1.8 million students are currently studying in EQUIP-constructed schools, 44 percent of whom are girls.

Overall, there are 9.2 million children enrolled in schools in Afghanistan, of whom 3.61 million (39 percent) are girls. Under both phases of EQUIP, social mobilization activities have been conducted in 11,087 communities, resulting in the establishment of 8,230 school *shuras* (community-based consultative bodies) along with the preparation of 8,027 school improvement plans nationwide. So far, 11,032 schools have received Quality Enhancement Grants for purchase of school supplies, laboratory equipment, and other purposes.



Students during an anatomy class at a high school in Kabul. A large part of the school's funding for the purchase of computers, science laboratory equipment, and library materials as well as construction was provided by the Education Quality Improvement Program (EQUIP). EQUIP's aim is to increase access to quality basic education, especially for girls.

Afghanistan Skills Development Project

⇒ IDA GRANT \$20 MILLION

⇒ ARTF GRANT \$18 MILLION

The project is 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 aims to develop a demand-driven vocational education and training system, and encourage the provision of autonomy to training institutions to plan and customize their programs and es-

tablish linkages with employers. The project has three components:

Component 1: Mainly focuses 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 broad-base their governing councils and develop linkages with employers.

Component 3: Under this component, training is provided to youth, as well as to some vulnerable groups. The implementing agency is 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.

As of January 2014, major results under this project include: 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.

In the NSDP part of the project, training delivery to chronically poor women, youth, and injectable drug users is continuing and reaching 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.

The international implementation partner for NIMA is in place and has done a preliminary evaluation of curricula and faculty. 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.



“The program is based on market demand. We looked at what was needed in the private sector and government, and that’s how we made our curriculum.”

–Baz Mohammad Baz, Director, NIMA

EDUCATING THE NEXT GENERATION of business managers in Afghanistan

- The next generation of bureaucrats and business managers in Afghanistan is learning the latest business skills at the new National Institute of Management and Administration.
- The institute is supported by the Afghanistan Skills Development Project, which aims to increase the number of employable skilled people by building a high quality technical vocational education and training system.
- More than half of the some 1,000 graduates from the first batch found employment immediately while the rest are pursuing higher studies.

Teenagers in dark business suits, loosely knotted ties, or bright headscarves stride through the new National Institute of Management and Administration (NIMA). They are the next generation of Afghan bureaucrats and business managers.

It’s an ambitious goal to take hundreds of students from 34 provinces across Afghanistan, and teach them the latest administrative, computer, accounting, and other business skills, acknowledges NIMA’s director Baz Mohammad Baz. “But our country badly needs managers with modern skills, especially in more remote provinces where they are operating at a very low level,” he says.

It is this need, clearly identified by the government and private sector, which prompted the creation of NIMA in 2008. The institute is supported by the Afghanistan Skills Development Project (ASDP), which is funded by the World Bank and Afghanistan Reconstruction Trust Fund.

ASDP is designed to increase the number of employable skilled people by building a high quality technical vocational education and training system that is equitable, market responsive, and cost effective. “The program is based on market demand. We looked at what was needed in the private sector and government, and that’s how we made our curriculum,” says Baz Mohammad.

About 14,600 students apply each year for about 500 places at NIMA. After tough entrance exams, they must pass a first semester of general studies in order to proceed to the next two years of study.

Currently, NIMA has about 982 students, of whom 220 are young women, registered in three programs: accounting, management, and information-communication technology.

Exposure to opportunities

The first batch of 1,058 graduated in 2011 with accredited diplomas from the University of Jyväskylä in Finland.



About 52 percent were immediately employed in the public and private sectors, while others pursued higher education in Afghanistan and overseas.

“I always say these students, especially the women, are the cream of Kabul, of our country,” says NIMA instructor Nazia Shah. “They get such good training, education, and exposure to so many opportunities here.”

All courses are taught in English so students learn this important global business language, Nazia says. “It can be difficult for some students. It is a balancing act because we are striving to be very modern here, but we must also respect culture and traditions.”

Freshta Azami, 20, says she is grateful for NIMA because her father, who owns a clothes shop, could not afford to pay her tuition. All NIMA students attend for free, and are also given room and board if they are from outside of Kabul. Freshta hopes to work in banking, make a good salary, and travel outside Afghanistan. “I think this program will make our lives great,” she says.

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



The owner of a restaurant in downtown Herat. The family business operates with assistance from the Microfinance Investment Support Facility for Afghanistan (MISFA), which aims to improve access to financial services for micro and small enterprises.

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 January 2014, project progress

include: 15 TVET schools and institutes nationwide have been 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. 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.

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.

/ 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 has three components:

Component 1: Improving access to finan-

cial 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.

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 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. The procurement processes for modernization of the payment system (national card and mobile payment switch) was completed and the contract was awarded on August 18, 2013. The procure-

ment process for the Automated Transfer System (Automated Clearing House, Real Time Gross Settlement, and Central Securities Depository) is in progress.

Financial Sector Strengthening Project

⇒ IDA GRANT \$8 MILLION

The project supports the Afghanistan National Development Strategy's vision to establish a modern and competitive financial sector. The project will specifically strengthen the capacity of DAB through modernization of its IT systems (off site supervision and human resource management). It will also develop necessary financial infrastructure such as a public credit registry, movable collateral registry, and the Afghanistan Institute of Banking and Finance.

Through this project, IFC also provides technical assistance to the central bank in order to establish two basic financial sector infrastructures: (i) a Public Credit Registry (PCR) that will provide lenders with information for efficient risk assessment on borrowers; and (ii) a Collateral Registry for movable property that will provide lenders with the ability to effectively use borrowers' property as collateral. IFC's involvement includes support to DAB on enactment of the Secured Lending Transactions Law and the Credit Reporting Regulation. IFC has also helped draft a best practice leasing law.

The Collateral Registry was officially launched in February 2013. The procurement process of the PCR has been completed and the contract with the selected technical bidder was signed in March 2013, after which implementation work began. A vendor has also been identified for the modernization of the human resources management system and the contract should also be signed shortly. The PCR is scheduled to be operational by April 2014.

Based on conclusions of the Mid-Term Review (MTR) of the project that took place

between February 24 and March 6, 2013, the Financial Sector Strengthening Project underwent a restructuring and was merged with the Financial Sector Rapid Response Project at the end of September 2013.

Public Financial Management Reform Projects

⇒ IDA AND ARTF GRANT \$120 MILLION

A series of five operations support Afghanistan's efforts to establish a transparent and well-functioning public financial management system to ensure better use of public resources. The grants initially concentrated on funding consulting firms to support government officials in carrying out procurement and treasury operations, but have now shifted emphasis to building capacity in procurement and audit functions in the Treasury Department of the Finance Ministry. The projects contributed to the establishment of the current modern legal framework for public financial management and to the implementation of systems to support this framework.

The Development Policy Programmatic Series: Promoting Economic Growth and Fiscal Sustainability

⇒ IDA GRANT \$50 MILLION

The grant aims to finance GoA's efforts to promote economic growth and fiscal sustainability. The reforms supported by the project respond to some of the most important development challenges Afghanistan will face during transition and beyond: according to World Bank analysis the anticipated decline

in foreign aid could reduce Afghanistan's growth prospects to about half of its current average. Poverty rates are persistently high and labor market pressures are increasing with 400,000 to 500,000 young people entering Afghanistan's labor force every year.

By 2015, the results of the project are expected to increase customs revenue, improve the enabling environment for private investment in mining and ICT sectors, decrease the prices for GSM broadband services, improve the legal and regulatory environment for land management and administration as well as produce more opportunities for cost-saving in public infrastructure projects.

/ HEALTH

System Enhancement for Health Action in Transition (SEHAT) Program

⇒ IDA GRANT \$100 MILLION

⇒ ARTF GRANT \$270 MILLION

(CLOSED ON NOVEMBER 30, 2012)

⇒ 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 three components:

Component 1: Sustaining and improving the basic package of health services and essential package of hospital services: sup-



ports 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 sub-national 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.

As of January 2014, steady progress has been achieved. There have been increases in: (i) births attended by skilled health personnel among lowest income quintile from 15.6 percent to 35 percent; (ii) PENTA3 immunization coverage (a combination of five vaccines in one covering polio, diphtheria, pertussis, tetanus and hepatitis B) among children aged between 12 and 23 months in lowest income quintile from 28.9 percent to 60 percent; (iii) contraceptive prevalence rate (using any modern method) from 19.5 percent to 30 percent; and (iv) proportion of children under five years of age with severe acute malnutrition receiving treatment.

Another increase includes improvement in the score on the examining quality of care in sub-centers, basic health centers and comprehensive health centers on the balanced scorecard from 61 percent to 70 percent.

There has been a significant increase in PENTA3 immunization coverage, a combination of five vaccines in one covering polio, diphtheria, pertussis, tetanus and hepatitis B, among children aged between 12 and 23 months in the lowest income quintile. The achievement is a result of efforts to expand coverage of health services provided to the population, particularly for the poor, under the System Enhancement for Health Action in Transition (SEHAT) Program.

“ Although it is still a small hospital, I think we now offer higher quality service than many others. Some patients even come from Kabul for our help.”

–Dr. Amir Mohammad Khuram,
chief surgeon, Rukha Hospital, Panjsher province



PANJSHIR'S NEW HOSPITAL gives hope and critical help

- A new district hospital in remote Panjsher Valley is providing much needed medical attention to residents in the surrounding villages.
- The hospital is part of the Ministry of Public Health's efforts to improve health services, supported by the System Enhancement for Health Action in Transition program.
- The program, supported by the World Bank and ARTF, aims to expand health services, particularly to the poor, women, and children, in 22 provinces.

Abdul Jalil, 30, leaves the emergency room with a large bandage around his head and a grim warning about blind corners along the Panjshir Valley's main highway. "People like to drive fast in my country," says Jalil. "Yes, many of us would be lost without this good place."

Dr. Jamshid Murid, specialist physician at Rukha Hospital, agrees. Just one year ago, many critical patients had to travel long distances for emergency treatment, and some didn't survive. "Now, we have trained doctors here every day, every hour and we are well equipped to face many challenges," he says. "Critically ill babies, children with appendicitis, motor vehicle accidents, we can handle so much more."

These improvements are a result of the Ministry of Public Health's efforts to improve health services, with support from the System Enhancement for Health Action in Transition (SEHAT) program, funded by the World Bank and Afghanistan Reconstruction Trust Fund (ARTF). 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, and to support the Ministry's efforts at stewardship.

The program transformed the Rukha facility in early 2012 from a basic comprehensive health center to a 40-bed district hospital. On average, the hospital currently serves at least 100 patients a day, says Murid. But with an estimated population of about 150,000, a multitude of patients can arrive at any moment.

High quality service

SEHAT helps purchase equipment, medicines, and train staff. Currently, the hospital employs two surgeons, two general physicians, three midwives, a specialist physician, an ear, nose, and throat specialist, and a dentist.

High staff turnover, however, has been a problem, notes the hospital's head, Dr. Mahmoud Karamkhil. "It



is government policy to send doctors out of the city to work in rural areas where they are most needed," he explains. "But it can be a challenge for some because of the schools and lack of other things." Government regulated pay levels are also low compared with some other provinces where non-governmental organizations still implement health care services.

One exception has been chief surgeon Dr. Amir Mohammad Khuram, who has been with the hospital since its upgrade. "Because of Dr. Khuram, this is now a very, very good hospital," says Karamkhil, nodding at the surgeon whose solemn eyes and steady hands conducted 190 operations last year, and managed almost 80 more procedures in recent months.

"Although it is still a small hospital, I think we now offer higher quality service than many others. Some patients even come from Kabul for our help," says Khuram.

A villager carting cement for an irrigation canal residents have built at their village alongside the Panjshir River. Canals such as this one, to be used to irrigate crops, are being built and rehabilitated under the Irrigation Restoration and Development Project (IRDP). Typical rehabilitation works include improving canal intake structures, conveyance channels, and aqueducts.



/ 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 January 2014, major milestones under the project include progress in construc-

tion of optical fiber cable and completion of about 186 km of ducting. 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, and a second round will train another 1,050 Afghans in the next 18 months. Results of the first round of the Innovation Support Program will be announced in April, and 10 government services are expected to be launched in April 2014.

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 January 2014, several achievements had been made. In the irrigation component, approximately 14,200 hectares (31 percent of the target 45,000 hectares) 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. A feasibility study for four dams has been submitted and is under review while the feasibility study report for the three remaining dam sites will be submitted soon. 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.

Second Customs Reform and Trade Facilitation Project (SCRTFP)

⇒ IDA GRANT \$50.5 MILLION

SCRTFP builds on the overall success of the completed Emergency Customs

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

The project aims to achieve this through (i) countrywide computerization of customs clearance operations; (ii) installation of executive information systems for customs, allowing real-time monitoring of operations; (iii) development of possible options for cross-border customs-to-customs cooperation; (iv) provision of selected customs infrastructure to enable modernized operations; and (v) technical assistance to support the development of a regulatory, administrative, and institutional framework for customs.

The Automated System for Customs Data (ASYCUDA) full declaration processing (DPS) is now fully operational in 13 computerized ACD offices, resulting in coverage of more than 95 percent of declared trade electronically. Migration from ASYCUDA++ version to the newer web-based ASYCUDA World platform is also fairly advanced with both international and national transit covered through ASYCUDA World in 12 Customs offices.

Infrastructure development is progressing satisfactorily, with 10 large and 21 smaller civil works related contracts completed, including a new Customs House at Khost, and improvements to Jalalabad, Kandahar, and Nimroz Custom Houses. Two large and four smaller contracts are currently under execution. The Executive Dashboard (Management Information and Alert System) was introduced on a pilot basis and is being fine-tuned for full deployment. Data exchange through secure email between ACD and Pakistan Customs for goods entering and exiting through Torkhum is underway.

Substantial progress has been made in preparation of the Customs Modernization Action Plan, Post Clearance Audit (PCA) implementation plan, Risk Management policy and procedure, and Customs Strategic Plan, etc. Work is also underway on capacity build-

A man waiting at Afghan customs for a car he bought in Pakistan to be cleared. "It costs me more now but I understand the revenue is going to important government projects," he says. The Second Customs Reform and Trade Facilitation Project (SCRTEP) is continuing with reforms to assist the Afghanistan Customs Department consolidate its modernization process to improve governance and the release of legitimate goods in a fair and efficient manner.



ing of the Valuation Department. Work is also in progress on the preparation of IT policies and procedures for ACD.

Sustainable Development of Natural Resources Project

⇨ IDA GRANT \$92 MILLION

The project supports measures to enhance regulatory capacity, foster private sector development, and adherence to international

standards. It is helping the government to ensure that revenues from valuable resources are available to the whole country and are transparently managed. The project is also providing technical support to the Ministry of Mines and Petroleum in national projects such as the Mes Aynak Copper project, Hajigak Iron Ore project, and other national priority projects.

The mining sector showed dynamic developments in 2013. Driven by strong investor interest after the continuing tender of mineral and hydrocarbon assets, a draft Mining Law was prepared by the Ministry of Mines and Petroleum and passed through Cabinet to the national assembly and awaits approval.

This law will substantially address the previously identified need for strengthening the economic, environmental, and social performance of the sector; and enable the preparation of stronger regulations that will guide day-to-day operations.

Pending passage of the law, some concerns remain regarding licensing that will catalyze broader mineral exploration in less explored areas. While commodity prices weakened in late 2012, during 2013 they remained at a level sufficient for the government to continue negotiations regarding the development of the very large Hajigak iron ore resource. Additionally, the Ministry of Mines and Petroleum and National Environmental

Protection Agency (NEPA) continue to undertake baseline assessments regarding communities that will be impacted by mining of this resource and building of the requisite capacity for strong regulatory oversight.

Moreover, a benchmark Strategic Environmental and Social Assessment undertaken in 2013 is now guiding new work to address gaps and strengthen the regulatory instruments that will be necessary for sustainable operations. Smaller mining operations continue to provide jobs in rural areas, and together with small hydrocarbon production in the Amu Darya basin, are demonstrating proof of concept around viable investments and a contribution of more than 2 percent to GDP in 2013. The expected contribution to the government budget through royalties and taxes remains estimated at around \$250 million annually for the next 25 years. In addition, the rehabilitation and reconstruction of eight gas wells in Sheberghan, operated by a state-owned enterprise, will enable gas-to-power generation and significantly increase the supply of gas to the fertilizing and power plant at Mazar-e-Sharif.

In addition to strengthening the Ministry's capacity to supervise and promote the mining sector, the project is helping the government move towards its goal of ensuring transparency and good governance in the sector. GoA has taken the important step of endorsing the principles of the Extractive Industries Transparency Initiative (EITI) and has been awarded 'candidate' status by the EITI secretariat in Oslo. An EITI Secretariat and the National Multi Stakeholders Group, with a broad participation of government, private sector, and civil society groups, have been established to run and oversee EITI implementation processes in Afghanistan. EITI, now in a very active phase, conducted the process towards production of its first and second independent reconciliation report now underway. Afghanistan is on its way to becoming an EITI-compliant country.



“ This very good road has solved a lot of our problems. Now we are able to go quickly and make double the profit on our goods. ”

—Malik Mukhtar, village council leader, Gardi Kas village, Behsud district, Nangarhar province

ALL-SEASON ROAD provides access to goods and services

- A new road has improved the quality of life of villagers in a remote valley in Nangarhar province by giving them access to basic facilities and services, and enabling them to sell their perishable produce quickly.
- Built by the Ministry of Public Works, the road is part of the Afghanistan Rural Access Program which aims to give rural communities access to all-season roads.
- The project, supported by the World Bank and ARTF, will improve and maintain thousands of kilometers of secondary and tertiary roads.

Before a road was pounded into the stark landscape of this valley in eastern Afghanistan, even the donkeys stumbled trying to reach city markets. Farmer Malik Qais would often adjust his donkeys' load of corn, melon, wheat, or vegetables as they made their trek to Jalalabad, about 25 kilometers away, because even these nimble animals struggled over the jagged outcrops and steep terrain surrounding his village of Gardi Kas in Nangarhar province.

“Now this new road is very important to us because we can take cars to the city in just 20 minutes, when it would take many hours before,” says Qais, 52. “Also, if people get sick, they can get to hospital on time, and we can easily do our shopping.”

Construction of the 10.5-kilometer gravel road was completed in June 2012 by Afghanistan's Ministry of Public Works with funding from the Afghanistan Rural Access Program (ARAP). The program's objective is to enable rural communities to benefit from all-season road access to basic services and facilities. The program is funded by the World Bank and Afghanistan Reconstruction Trust Fund (ARTF), which have been supporting the country's development since 2003.

Roads like the one to Gardi Kas village are a particular challenge as Afghanistan has a tertiary road network of some 80,000 kilometers, of which only about 7,000 kilometers are accessible to motor vehicles in all seasons.

Agriculture a lifeline

Gardi Kas sits in a remote valley where about 5,200 people still raise livestock and harvest many of the same crops grown by their forefathers. Agriculture is their lifeline, making it essential that they sell their products in a timely manner, says *shura* (village council) leader Malik



Mukhtar, 36. “This very good road has solved a lot of our problems,” he says. “Before, we had to go another way that took a long time. But now we are able to go quickly and make double the profit on our goods.”

Mukhtar says the women also benefit from better access to shopping and prompt health care. “Sometimes, if the ladies are giving birth, it is very important for them to go in a car, otherwise bouncing on a donkey can make lots of trouble.”

Mohammad Qasim, provincial engineer for the program in the eastern region, says security is the main challenge in the four provinces, including Nangarhar, which he oversees. “Most projects have security problems but we try to work with the heads of the community, talk to elders, show them the road projects and they arrange security for us,” says Qasim.



A fish handler in a tank at a fish hatchery in a village in Surkhrud district of Nangarhar province. The tank is where fingerlings are being prepared before they are transferred to a larger pond to mature for sale. Under the Afghanistan Rural Enterprise Development Project (AREDP), the hatchery receives assistance to train employees, market its products, and access finance to grow the small business venture.

/ RURAL DEVELOPMENT

Afghanistan Rural Access Project (ARAP)

⇒ IDA GRANT \$125 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 January 31, 2014, over 80 percent of the total 1,000 km secondary roads and 1,300 km tertiary roads have been designed. Construction of 160 km of secondary and 280 km of tertiary roads has been completed. More than 300 linear meters of secondary bridges and 242 linear meters of tertiary bridges have also been completed. Over 500 km of secondary roads and 2,500 km of tertiary roads have been contracted out to communities for routine maintenance. The project has disbursed approximately \$30 million and is expected to close by March 2018.

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 3,500 Savings Groups with a membership of some 41,800 rural poor (49 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, 68 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 450 Enterprise Groups (58 percent women) and 150 SMEs that have been selected for their potential as key drivers of rural employment and income generation. 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 \$750 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 enhancing service delivery and security through empowerment and development activities that communities identify, plan, manage, and monitor on their own. There are over 32,000 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 57,000 small-scale reconstruction and development activities in over 39 sub-sectors such as roads, drinking water, sanitation, irrigation, bridges, health, and education.

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 \$1.32 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

National Emergency Rural Access Project (NERAP)

⇒ IDA GRANT \$152 MILLION

⇒ ARTF GRANT \$80 MILLION

(CLOSED ON DECEMBER 31, 2013)

NERAP aimed to provide year-round access to basic services and facilities in the rural areas to enhance the wellbeing of the population and promote economic growth in the country. Under the project, secondary roads were rehabilitated by the Ministry of Public Works and tertiary roads by the Ministry of Rural Rehabilitation and Development.

As of December 31, 2013, the planned target of 1,105 km secondary roads was exceeded with 1,124 km rehabilitated (102 percent of planned target), and similarly the target of 1,197 km tertiary roads was exceeded with 1,249 km rehabilitated (113 percent of planned target). Secondary roads have generated more than 1.5 million labor days of employment and the tertiary roads over 1.8 million labor days. Out of the total budget of \$232 million allocated for road rehabilitation, drainage works, and routine maintenance, approximately \$231 million had been disbursed.



A weaver at work in her home in a village in Bamiyan province. The village has received funding from the National Solidarity Project (NSP) to support carpet weaving, purchase solar power panels, and build a community hall. NSP is the government's national flagship program to support development activities and small-scale reconstruction identified by the local Community Development Council.

/ 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:

proved, together with computerized registration. 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 500 applications while 200 agreements have been signed so far.

Urban Water Sector Project

⇒ IDA GRANT \$18.72 MILLION

The project aims to assist 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) increase in total AUWSSC operational revenues by third quarter in 2013 over end of 2011 by 67 percent; and (vi) increase in the number of water connections by second quarter in 2013 by 8 percent.

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.

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 \$6.42 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 'preferred' 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 \$3.04 BILLION

To date, ARTF has disbursed \$2.93 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 of 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 February 19, 2014, is 54 percent. Decentralized and national rural development programs, such as the NSP, rural roads, and education, have been strongly supported by ARTF.

As of February 19, 2014, there are 19 active projects under ARTF with net commitment value of \$1.84 billion.

⇒ **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.



“Life is much easier for everybody. Now the water is coming fast and clean, and our land is very productive.”

– Akhtar Mohammad, farmer,
Dobandi village, Nangarhar province

/ ONGOING PROJECTS

Afghanistan Agricultural Inputs Project (AAIP)

GRANT \$74.75 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 delivery systems for seeds and agro-chemicals. The sustainability of these interventions will be supported by capacity building programs involving civil servants, farmers, and traders.



BETTER WATER MANAGEMENT boosts productivity in Eastern Afghanistan

- Modern agricultural techniques including irrigation schemes and laser land leveling have increased productivity in farm lands and brought prosperity to farmers in Nangarhar province.
- This is the result of the On-Farm Water Management Project, funded by the Afghanistan Reconstruction Trust Fund, which supports water management investments in five regions in Afghanistan.
- Farmers say that, thanks to these new farming methods, their land is twice as productive and income has doubled.

Gul Agha and his farmer friends know a good thing when they see it. Their irrigation canals are flowing twice as fast, their land is twice as productive, and their income has doubled.

“These modern ideas are helping us so much,” says Gul Agha, 56. “Before we were using old agriculture methods, and we have had three decades of war when our production was almost zero. But now the canal improvement projects, laser land leveling and other new ideas are very good for us.”

Agha, head of the *shura* (village council) from Bar Sultanpur village in the Surkhrud district of Nangarhar province, is pointing out the benefits of the new On-Farm Water Management Project (OFWMP), financed by the Afghanistan Reconstruction Trust Fund (ARTF), which has brought prosperity to his people.

“If you keep working with us, we guarantee that some day we will supply all the grains, fruits, and vegetables to Kabul and everywhere, and Afghanistan will be a self-sufficient country,” says Agha.

Funded by the ARTF for a total of \$25 million, OFWMP supports on-farm water management investments in five regions covering a total of 175 irrigation schemes, benefiting 50,000 hectares. The project improves agricultural productivity by enhancing efficiency of water usage.

Using modern farm technology

Around Agha's community and four other villages, two irrigation schemes called Dobandi and Malakan were launched under OFWMP. The irrigation projects, which benefit some 14,000 people, had about four kilometers of ancient irrigation canals lined with concrete, 700 filter structures installed to block debris, culverts for vehicles and flood protection walls built, and community access platforms added, explains Engineer Safi.

“The idea is to avoid severe water loss and to increase



its velocity,” he says. “Before changes were made, it could take six hours for water to be delivered downstream, because there was no appropriate slope, as well as loose banks and water seepage.”

People are also encouraged to use modern farm technology, such as laser land leveling which uses a mounted sensor on a tractor to compare terrain elevations so land can be leveled for proper irrigation and drainage. The end result saves water and time, while doubling productivity.

“Life is much easier for everybody,” observes Akhtar Mohammad, who supports nine children. “Now the water is coming fast and clean, and our land is very productive.”

Mohammad says it used to take two hours to fully irrigate his fields of wheat, onions, carrots, and other vegetables, but now, the watering is done in 20 minutes. A field that yielded 600 kilograms of crop now produces about 1,200 kilograms.

A former potato farmer works with heavy road building machinery at a construction site at Zuhak city, gateway to the proposed Hajigak Pass iron ore mine. "It is much better than farming," he says. "I will try to get a job at the mine." The mine will benefit from the Afghanistan Resource Corridor Project, which will prepare a platform of 'hard' and 'soft' infrastructure enabling Afghanistan to derive broader economic benefits from the development of its extractive industries.



During its first semester of implementation, AAIP deployed its technical teams at central and regional levels, thus ensuring project readiness to increase assistance delivery to the agricultural sector regarding production inputs. The project has already delivered in-kind assistance to the Agriculture Research Institute of Afghanistan (ARIA), Improved Seed Enterprise (ISE) and Plant Protection and Quarantine Department (PPQD) to support their seed production related activities.

The implementation of seed production activities in ARIA and ISE has already started in Kabul and four other regions, including the identification of the firm that will carry out the farm survey for the rehabilitation of ARIA and ISE research stations and seed produc-

tion farms. Meanwhile, the English language training for the first batch of approximately 38 MSc and 2 PhD candidates of the aforementioned agricultural directorates/institutes is about to be completed.

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 126 schemes have been reported to be completed. Out of these, designs of 94 schemes have been prepared and contracts for construction of 71 schemes have been awarded. About 38 schemes covering an area of some 6,403 hectares have been completed.

As of February 2014, a total of 130 staff members of MAIL and provincial Department of Agriculture, Irrigation and Livestock (DAIL)

have been trained overseas. A total of 225 staff members has 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 buildings for regional MAIL offices are under construction and are expected to be completed by June 2014 (about 70 percent currently 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, 192 distribution lines have been constructed or rehabilitated under the project. A total of 526 kilovolt-amperes (KVA) was installed in Charikar, Gulbahar, and Jabul-Seraj, while 2,400 KVA were installed in Pule Khumri. The project is supporting the energy efficiency activities of MEW through the setting up of an Energy Efficiency Unit. A consultant has been selected to carry out a national awareness program for energy efficiency which is expected to run until July 2014. Also, another contractor has been procured for three energy efficiency demonstration programs. The project was recently restructured, extending it to January 31, 2015.

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.

Justice Service Delivery Project

GRANT \$85.5 MILLION

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

tracted; 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.

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.



A local farmer shows a moth larva in a pomegranate in his orchard in Balkh province. He has learnt to bag his pomegranate fruit to prevent moths destroying his crop at a 'farmer field school'. The school, set up by the National Horticulture and Livestock Project (NHLP), teaches farmers to use new techniques and tools to increase their output.

Capacity Building for Results Facility Project for Afghanistan

GRANT \$100 MILLION

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

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 Ministry of Agriculture has been 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 Communication's proposal is expected to be approved soon, and several others are at various stages of proposal development (e.g., Ministries of Health, Education, Rural Development, Mines, and Commerce).

Recruitment of senior level civil servants funded through CBR is progressing; a total of 92 active senior management group positions are currently funded with six additional appointments awaiting presidential approval. CBR is also encouraging salary harmoniza-

tion for donor-funded consultants led by the World Bank, which is applying the CBR salary scale to its project consultants.

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 will contribute to the overarching goal of increased productivity and overall production of horticultural products, and improved animal production and health. The technical strategy for achieving this objective is based on the delivery of extension and investment support through strengthened systems. The project has three components: (i) horticultural production; (ii) animal production and health; and (iii) implementation management and technical assistance support. These activities will be implemented in 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 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 January 31, 2014, the project has financed the establishment of 2,007 hectares of new orchards (against a target of 500 hectares), of which 52 percent are in new provinces. Similar substantial achievement has been recorded for rehabilitation of orchards (5,000 hectares actual against a target of 500 hectares). In addition, demand from target beneficiaries for kitchen gardening support has proved very high, and the entire annual program was amply exceeded (16,000 schemes against a target of 8,000 schemes). In addition, NHLP has successfully tested the introduction of techniques to extend the production period of vegetables by supporting the establishment of some 900 production schemes involving micro greenhouses, which have been extremely well received by farmers.

NHLP conducted the brucellosis vaccination program in 360 districts of 34 provinces and vaccinated 430,000 young cattle (representing 20 percent of the whole population) and 2.2 million young sheep and goats (representing 20 percent of sheep and goat population). Besides vaccination, NHLP conducted training of Veterinary Field Units (VFUs) and Provincial Veterinary Officers (PVOs). Vaccinations campaign supervision and monitoring has been conducted jointly by MAIL and NHLP. NHLP facilitated Sanitary Mandate (SM) training to identify and control outbreaks, and package distribution in 137 districts of 19 provinces. A total of 137 VFUs and 74 PVOs have undergone SM training.

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 \$131 million, as of end December 2013. Currently, IFC's portfolio includes two investments in the telecommunication sector (Mobile Telephone Networks – a joint project with MIGA – \$60 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.

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 set up and launch (in February and December 2013 respectively) 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. Furthermore, in the area of corporate governance, a new project has recently been launched with the aim to work with the commercial banking sector and supervisory department of the DAB.

Enterprise development

The Business Edge initiative has launched a second phase with the goal of facilitating business skills training of over 5,000 individuals (including 35 percent women) reaching more than 500 micro, small, and medium enterprises over the next three years. In addition, IFC has partnered with nine local training providers to strengthen their capacity and enhance the provision of management training services.

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.

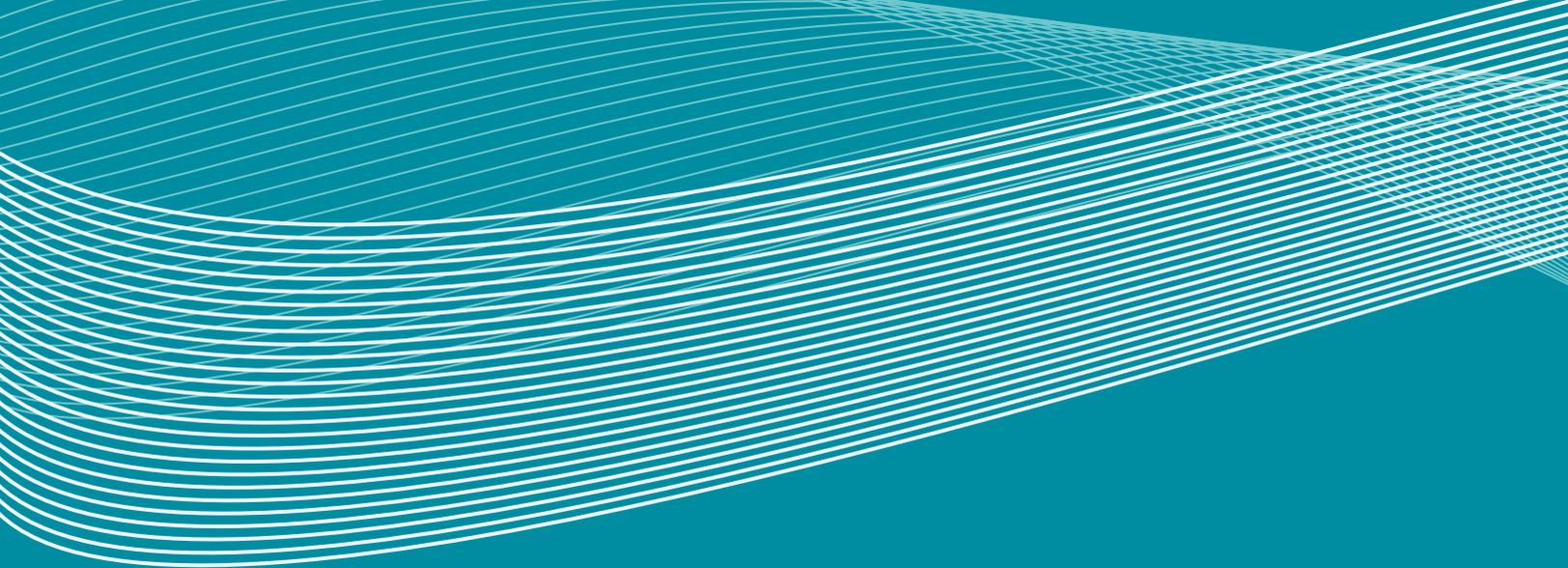
IFC has been working with the Kabul Municipality to improve the construction permit process in order to reduce paperwork, processing time, and the number of signatures required to obtain a permit.

Public private partnerships

IFC has focused on power distribution in Kandahar. In late 2012, IFC signed a contract with Da Afghanistan Breshna Sherkat (DABS) to design a management support contract to be awarded to a private contractor in order to improve the financial and operational efficiency of the Kandahar Operating Centre and power distribution in Kandahar. Since the initial signing of the mandate, the project has been structured, and was put to tender earlier this year.

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.

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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