The project aims to increase the employment potential and earnings of TVET graduates.
WORLD DEVELOPMENT REPORT 2016: DIGITAL DIVIDENDS

The main message of the report is that digital development strategies need to be much broader than information and communication strategies. ‘Connectivity for all’ remains an important goal and a tremendous challenge. The report’s key points emphasize that:

- Digital technologies can be transformational by promoting inclusion, efficiency, and innovation. These technologies yield real benefits by expanding the information base and enabling greater inclusion; by lowering the information cost, allowing for greater efficiency; and by creating information goods, fostering greater innovation.
- Benefits often remain unrealized as development impacts have fallen short.
- The digital divide is still wide, both in access and in capability.
- The largest barriers are not in technology; the digital revolution also brings risks. A better understanding of how technology interacts with other essential elements of development is needed to maximize digital dividends.
- The digital revolution needs a strong analog foundation by strengthening regulations, skills, and institutions.

STAKEHOLDER CONSULTATIONS UNDERPIN SYSTEMATIC COUNTRY DIAGNOSTIC

The World Bank Group (WBG) carried out public consultations with a wide range of stakeholders on Afghanistan’s Systematic Country Diagnostics (SCD) in September 2015. SCD is an evidence-based, diagnostic report to identify key constraints and priorities for Afghanistan to accelerate progress toward reducing poverty and promoting shared prosperity in a sustainable way.

The SCD engagement process involved meetings with a number of stakeholders, including government officials, private sector, civil society representatives, and development partners. Upon completion of SCD, the World Bank Group started preparations to develop its WBG Country Partnership Framework for 2017-2020. Another round of public engagement and consultative process is scheduled to take place later this year.

WORLD DEVELOPMENT REPORT HIGHLIGHTS MORE ACTION TO REAP DIGITAL DIVIDENDS

Afghanistan and four Central Asian countries came together recently in Almaty, Kazakhstan, to discuss the World Development Report 2016, which focused on the impact of digital technologies and its dividends that have yet to be reaped by all countries. The report points out that digital dividends—that is, the broader development benefits from using digital technologies—have lagged behind.

The report suggests that for countries to benefit most out of the digital revolution, they need to strengthen the ‘analog complements’ i.e., by strengthening regulations that ensure competition among businesses, by adapting workers’ skills to the demands of the new economy, and by ensuring that institutions are accountable. At the Almaty meeting the Ministry of Communications and Information Technologies informed participants that Afghanistan has developed a road map for activities under its E-Governance program. It is expected that almost 70 percent of government services will be available electronically by the end of 2018. The Government of Afghanistan is actively working to create a better environment for the private sector and private investors, including adopting new regulations, upgrading to international standards, and shared infrastructure.

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WORLD BANK GROUP SUPPORT

World Bank projects and programs

Since April 2002, the World Bank’s International Development Association (IDA) has committed over $3.3 billion for development and emergency reconstruction projects, and five budget support operations in Afghanistan. This support comprises over $2.9 billion in grants and $436.4 million in no-interest loans known as ‘credits’. The Bank has 19 active IDA projects in Afghanistan with net commitment value of over $1.3 billion.

The World Bank has provided advice to help the Government of Afghanistan (GoA) manage donor funds effectively and transparently. The Bank also supports the government by providing analytical work on the state, and channeling donor resources to 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 more information see page 24.

Multilateral Investment Guarantee Agency

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

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

For more information: see page 26.

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 has a committed investment portfolio totaling some $54 million in four companies, which include commitments in the financial, telecommunications, and hospitality sectors. IFC is exploring investment opportunities across the manufacturing, financial markets, and infrastructure sectors. IFC Advisory Services is also very active in Afghanistan with six active projects during the reporting period.

For more information: see page 24.

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 2016, 34 donors have contributed over $8.9 billion, making ARTF the largest contributor to the Afghan budget—for both operating costs and development programs.

ARTF’s support for National Priority Programs (NPPs), operating costs of government operations and the policy reform agenda is contributing to the achievement of the Afghanistan National Development Strategy goals. More than $3.8 billion have been disbursed to GoA to help cover recurrent costs, such as civil servants’ salaries, and over $4.1 billion had been made available, both for closed and active investment projects. As of February 18, 2016, 20 projects are active under ARTF with net commitment value of $2.8 billion.

For more information: see page 26.

Japan Social Development Fund

The Japan Social Development Fund (JSDF) was established by the Government of Japan in 2000 as a means of supporting activities that 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 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 February 2016, JSDF’s total commitment had reached $85 million. A number of JSDF-financed projects have been completed.

For more information: http://go.worldbank.org/ljOEQY2pco

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

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

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

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

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

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ONGOING OPERATIONS

/ EDUCATION AND TRAINING

Afghanistan Second Skills Development Project (ASDP II)

IDB Grant $55 million

The objective of ASDP II is to increase the potential for employment and higher earnings of graduates from Technical, 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 to improve quality of learning, while simultaneously strengthening the institutional system for the TVET sector as a whole.

Component 1: The project has made significant progress in strengthening the TVET institutional framework. In addition to developing an overarching TVET strategy, 100 national occupational skills standards (NIDSS) have been benchmarked to an international level with the support of an international certification agency, and corresponding curricula developed for 15 trades. ASDP has laid the groundwork for an assessment and certification system for TVET graduates, and, in partnership with the International Labour Organization, about 30 'master' assessors have been trained in competency assessment methods, and seven assessment centers identified.

Component 2: ASDP supports the improved performance of selected TVET schools and institutes. One such institute is the National Institute of Management and Administration (NIMA), which has a two-year business program equivalent to a Bachelor’s degree. Enrollment has risen from 300 to over 1,000 students in two years, with female enrollment improving significantly. With the support of an implementing partner (Ball & Partners), over 1,000 students in two years, with female enrollment improving significantly. With the support of an implementing partner (Ball & Partners), seven rounds of a transparent and comprehensive entrance exam have been conducted, and seven assessment centers identified.

Component 3: The project supports a 'challenging fund' scheme to identify and scale up good practices in TVET schools and institutes. To date, over 35 institutes have benefited from two rounds of a Recognition Grant, while an additional eight institutes have been selected for a Development Grant, which supports reforms to improve academic management, school administration, linkages with local industries, and curriculum revision. In addition, over 500 TVET graduates have been supported with scholarships through a voucher program, which facilitates further professional studies for meritorious students who have graduated from TVET institutes.

Component 4: The fourth component finances technical assistance for the skills team, as well as costs of third party monitoring and evaluation, and a public awareness campaign. The project has also established a Project Management Information System, which provides real-time updates on all aspects of project implementation (procurement, financial management, human resources, civil work, student enrollment and graduation).

/ FINANCIAL SECTOR

Access to Finance Project

IDB Grant $50 million

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

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

Component 2: Improving access to financial services for small and medium enterprises (SMEs). The aim is to increase commercial bank and microfinance institution (MFI) lending to the lower end of the SME market. Component 1 is under implementation and MISFA has initiated a series of activities (in particular the scaling up of the Targeting the Ultra Poor Program). The procurement process related to the scale up of the Targeting the Ultra Poor Program was completed and the contract awarded in July 2015. Component 2 has not yet started, as discussions are ongoing between the Ministry of Finance and the Afghan Ministry of Finance. The project is under design and an agreement to be signed.

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The project is assisting the Da Afghanistan Bank (DAB) to develop a set of action plans to implement improvements in banking supervision and implement the Central Securities Depository (CSD) and the National Payment System (NPS), which is being installed in the country. The mobile payment system is in progress. The mobile payment system aims to promote the use of electronic, card or mobile payments and is being supported by the project, which also aims to strengthen DAB’s capacity and scale up its activities, in order to increase the availability of banking sector skills.

The project also aims to modernize the national payment system with the goal of reducing the use of cash transactions, the main means of making payments in Afghanistan, and transitioning to electronic, card or mobile payments. The project will provide further support to the Afghan Central Bank (AIBF) to allow it to scale up its activities, in order to increase the availability of banking sector skills. The project was restructured and additional financing to the project ($6.7 million) was provided. The project was restructured and additional financing to the project ($6.7 million) was provided 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.

**HEALTH System Enhancement for Health Action in Transition (SEHAT) Program**

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

**Component 2:** Building the stewardship capacity of MoPH and system development by supporting the following thematic areas: strengthening subnational government; strengthening 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 resource for health; governance and social accountability; strengthening the Health Information System and use of information to enhance health promotion and behavioral change; developing capacity for procurement delivery; and improving fiduciary systems.

**Component 3:** Strengthening program management by supporting and financing costs associated with system development and stewardship functions of the MoPH including incremental operating costs at central and provincial levels and technical assistance. The Afghan health system has made considerable progress during the past decade thanks to strong government leadership, sound public health policies, innovative service delivery, careful program monitoring and evaluation, and development assistance. Despite significant improvements in the coverage and quality of health services, as well as a drop in maternal, infant and under-five mortality, Afghanistan health indicators are still worse than the average for low-income countries, indicating a need to further decrease barriers to women in accessing services. Afghanistan also has one of the highest levels of child malnutrition in the world. About 41 percent of children under five suffer from chronic malnutrition, and both women and children suffer from high levels of vitamin and mineral deficiencies.

**HEALTH OUTCOMES ON POSITIVE TREND**

**Under-five mortality rate and infant mortality rate dropped to 97 and 77 per 1,000 live births from 257 and 165, respectively.**

**Maternal mortality ratio fell to 327 per 100,000 live births, compared to 1,600 in 2002.**

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

**Births attended by skilled health personnel among the lowest income quintile increased to 35 percent from 15.6 percent.**

**Pentavalent immunization coverage more than doubled (a combination of five vaccines in one covering polo, diphtheria, Pertussis, tetanus and hepatitis B), from 29 percent to 60 percent among children aged 12 to 23 months in the lowest income quintile.**

**Contraceptive prevalence rate increased** (using any modern method) to 30 percent from 19.5 percent.
Kandahar Province is on the verge of eradicating polio as a result of improved access to health services and extensive health awareness programs.

It is one of many significant outcomes of the System Enhancement for Health Action in Transition program, implemented by the Ministry of Public Health.

The project aims to expand the scope, quality, and coverage of health services provided to the population, particularly to the poor.

Women wait patiently in line outside the examination room of the gynecology and obstetrics department of the Shams Kakar Clinic. Among them is Bibi Khadija, 50, who has accompanied her daughter-in-law for a check-up.

“This clinic has solved many of my family’s health problems,” says Bibi Khadija. “As it is near our house, we come here whenever someone is sick in my family.” She is also pleased to hear that other Kandahar residents have similar access to clinics in almost every part of the province.

One of the biggest triumphs of increasing access to clinics such as Shams Kakar has been the near eradication of polio in Kandahar Province. Thanks to the vaccination centers in the clinics, the province has seen a dramatic decrease in polio cases, from 36 cases in 2011 to just one in 2016 so far, and without a single case in 2015. Clinic doctors are hopeful that continued vaccination and health service provision will lead to the ultimate eradication of polio in the province.

The increase in access to basic health services, including vaccinations, is a result of the System Enhancement for Health Action in Transition (SEHAT) program, implemented by the Ministry of Public Health (MoPH). The program aims to expand the scope, quality, and coverage of health services provided to the population, particularly to the poor.

SEHAT is supported by the International Development Association (IDA), the World Bank Group’s fund for the poorest countries, and Afghanistan Reconstruction Trust Fund (ARTF), in partnership with multiple donors.

In Kandahar Province, most of the health services are delivered by BARAN, a non-governmental organization, in 17 districts. “Our activities through 46 health centers and 1,102 health posts have had a great impact,” says Dr. Mirza Khan Basharmal, BARAN’s provincial health coordinator for Kandahar Province. “One good proof of the successful work is the near eradication of polio in the province. We recorded zero cases of polio in 2015 in Kandahar Province.”

Extensive health education program
Shams Kakar Clinic is one of the clinics run by BARAN and one of nearly 46 health centers in Kandahar Province operating under the umbrella of the SEHAT project. A total of 18 staff take care of some 2,500 patients every month.

The clinic also offers health education to neighborhood residents through its 14 health outposts and educational sessions at the clinic to raise their awareness of health issues, including polio. Various topics covered include maternal health, nutrition, childcare, first aid, and prevention of diseases.

Each health outpost has two voluntary health workers from the local community. Each outpost also has a vaccination center, which has helped in the dramatic reduction of polio cases in the province.
The project builds on the success of earlier projects and catalyzes the next phase of ICT development in the country. It supports policy and regulatory reforms and strategic infrastructure investment to expand connectivity and enable more users to access high quality mobile and Internet services. It also helps mainstream the use of mobile applications to improve public service delivery and program management in strategic government sectors. The project helps develop the local IT industry by expanding the pool of skilled and qualified IT professionals, and supporting the incubation of ICT companies in Afghanistan.

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

The Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000), covering Afghanistan, Kyrgyz Republic, Pakistan, and Tajikistan, will put in place the commercial and institutional arrangements as well as the infrastructure required for 3,100 megawatts (MW) of sustainable electricity trade. The total project cost is estimated at $11.7 billion and several other development partners will provide financing for CASA-1000, including the Islamic Development Bank and United States Agency for International Development (USAID).

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

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 related works, while establishing hydro-meteorological facilities and services. Progress had been made in all areas. In the irrigation component, a total of 98 irrigation schemes have been rehabilitated, benefiting 100,000 hectares of irrigation command area (compared to the end project target of 300,000 hectares) and 63,000 farmers.

In the small dam component, the completion of prefeasibility study selected seven dam sites in the northern provinces. A feasibility study of the six best-ranked small dams in the northern river basin (which are not on international rivers), selected from a pre-feasibility study of 22 small dams, has been completed. Furthermore, dam development studies for a Social and Environmental Impact Assessment are planned for the 3-4 first ranked dams.
In the hydro-met component, installation of 127 hydrological stations and 56 snow and meteorological stations located in various locations on the five river basins in the country is ongoing. In addition, 40 cableway stations for flow measurement at selected hydrology stations have been installed. The project is currently under restructuring and a proposed additional financing of $70 million from ARF is under process.

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 increase the release of legitimate goods in a fair and efficient manner.

- The project aims to achieve these 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 World Bank Board of Executive Directors has approved an additional $21.5 million grant. The Automated System for Customs Data (ASYCUDA) full declaration platform has been completed in 12 sites, with both international and national transit coverage. Infrastructure development was completed successfully, with 10 large and 21 smaller civil works-related contracts completed, including a new Customs House at Khost, and improvements to Kabul, Jalalabad, Kandahar, and Nimroz Customs Houses.

Substantial progress has been made in preparation of a Customs Modernization Action Plan, Post Clearance Audit (PCA) implementation plan, Risk Management policy and procedure, and Customs Strategic Plan. A Customs-to-Customs Cooperation Agreement between Tajikistan and Afghanistan was signed on March 26, 2014, and real-time data exchange commenced from July 2015. A Customs-to-Customs Cooperation Agreement between Afghanistan and Iran is expected to be signed soon. ACD has also started negotiations with United Arab Emirates and Turkey for signing similar cooperation agreements.

**Sustainable Development of Natural Resources Project**

- **IDA Grant $43 million**

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

Steady progress has continued under this project including transaction support for the tender and negotiations of the main Hajigak contract. An International Advisory Panel has been established to ensure the transparency of the negotiations process. Other areas of progress include collection of new geodata and the digital capture of existing historical geodata for the development of a modern computerized geo-database in order to attract the exploration interest necessary to sustain discovery of new deposits and for sector growth; and the preparation and publication of 28 sub-sector development policies by commodity to guide sustainable development.

An independent external inspection and contract compliance monitoring system has been established. At the same time, capacity building of NEPA and MoMP officers on inspectorate services functions and regulatory monitoring is in progress. Other ongoing activities under this project include the preparation of the Resettlement Policy Framework and the associated Environmental and Social Management Framework; the preparation of a Strategic Environmental and Social Assessment for the sector; development of a computerized mining cadastre system (AMCS+) for MoMP; 3D laser scanning and imaging at Mes Aynak; development of corporatization and commercialization options for state-owned enterprises; provision of technical assistance to the MoMP and Ministry of Information and Culture (MoIC) on the intersection between the extractive industries and cultural heritage; addressing the economic and social subsector of artisanal and small-scale mining of Afghanistan; and implementation of the Extractive Industries Transparency Initiative (EITI).

Afghanistan EITI (AEITI) has successfully completed its fourth reconciliation report, which was published after approval of Multi-Stakeholder Group (MSG). Recommendations of the Independent Administrator (Reconciler) in the report showed the areas in the extractive sector where key reforms are needed.

The AEITI communication team is carrying out public awareness campaigns through workshops and trainings. After completing the first round of the workshops in the northern and eastern provinces, the communication team carried out awareness workshops for eight relevant ministries and authorities.
Increased their level of coordination (a bottleneck to progress in the past) and ownership over the project.

As of February 2016, construction of 550 km of secondary gravel roads, 150 km of secondary asphalt roads, and 1,213 km of tertiary roads have been completed. In addition, 1,484 linear meters of tertiary bridges have been built. In the meantime, routine maintenance of 1,032 secondary roads and period maintenance of 500 km of tertiary road were also undertaken. Routine maintenance of 132 km of secondary roads, and 563 (13 percent female) Small Medium Enterprises that have been selected for their potential as key drivers of rural entrepreneurial activities but cannot access such funds from commercial banks or microfinance institutions. AREDP also works towards strengthening market linkages and value chains for rural enterprises by providing technical support to 1,238 Enterprise Groups (65 percent female) and 563 (23 percent female) Small Medium Enterprises that have been selected for their potential as key drivers of rural employment and income generation. Six Provincial Situation Analysis (PSA) have been completed and 10 PSAs are underway. Support was given to 113 Aichies (nomads) and 143 disabled people to enhance their enterprise development skills and productivity. AREDP uses Community Development Councils as an entry point into communities and is currently working in 20 districts of five provinces: Parwan, Bamyan, Nangarhar, Balkh, and Herat.

Afghanistan Rural Enterprise Development Project (AREDP)

- IDA Grant $30 million
- ARTF Grant $6.2 million

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

To date, the program has established 5,561 Savings Groups with a membership of some 68,000 rural poor (52 percent women) in 747 villages. The SGs have saved over $3.87 million and members have accessed more than $7,000 internal loans for productive and emergency purposes with a repayment rate of 95 percent.

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

Third Emergency National Solidarity Project (NSP)

- IDA Grant $40 million
- ARTF Grant $1.05 billion
- JSDF Grant $9.59 million

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

Since 2003, NSP has successfully established Community Development Councils (CDCs) in more than 35,000 communities, and supported subsequent rounds of CDC elections in over 11,500 of these communities. More than 490,000 CDC members have been elected, registered, and trained in a variety of areas including in their roles and responsibilities, basic accounting, basic procurement, basic project management, and linkages with other government and development actors. Over 950,000 community members also have been trained to support the CDCs with project management and/ or operations and maintenance. In a sign of ownership, communities have contributed over $161.3 million in cash, kind, and voluntary labor towards the sub-projects implemented through NSP.

Specifically under the current phase, some 14,800 new CDCs have been established and...
The bridge connects rural community to the world

- The lives of residents in a rural village in Bamyan Province have been transformed by a new bridge that straddles the village divided by a river.
- The bridge, which provides all-season access to both sides of the village as well as to services and markets in the cities, was built by the Afghanistan Rural Access Project, under the Ministry of Rural Rehabilitation and Development.
- The project aims to benefit rural communities by improving access to basic services and facilities through all-weather roads.

The sun is setting and Ali Juma, 37, is herding his flock of sheep home from the pasture, taking them over the bridge to the other side of Kajabi village where he comes from. Located in Panjab district of Bamyan Province, Kajabi village is surrounded by soaring mountains and divided by a fast flowing river. A sturdy steel and concrete bridge unites the village and allows easy passage for livestock, vehicles, and pedestrians.

Ali Juma is grateful that he can now herd his sheep safely and quickly across the river, which was not possible before. “Before this bridge existed, there were only two poles that served as a bridge that connected both sides of the village,” he recalls. “Both people and livestock faced numerous challenges and risks while crossing the wooden bridge.”

Funding support for the construction of the 12-meter-long and 5-meter-wide bridge was provided through the Afghanistan Rural Access Project (ARAP), under the Ministry of Rural Rehabilitation and Development (MRRD). The project aims to benefit rural communities across Afghanistan by improving access to basic services and facilities through all-weather roads. It is supported by the International Development Association (IDA), the World Bank Group’s fund for the poorest countries, and Afghanistan Reconstruction Trust Fund (ARTF).

The bridge, which took a year to build, and adjacent road are maintained by the MRRD’s maintenance program, with funding support from ARAP. Under the program, 100 meters of road were graveled on both sides of the bridge.

Benefits to young and old

Over 2,500 people benefit from this bridge. It has enabled residents to have all-season access to both sides of the village, as well as to basic services and markets in the cities. Farmers are enjoying better revenue because of lowered costs such as lower freight fees as a result of trucks using the bridge and taking a more direct route to the markets.

“Kajabi villagers now have easy access to markets,” says Khodabakhsh Sultani, an ARAP engineer in Bamyan Province. “Ever since we completed our bridge project, many villagers, who had left the area for bigger cities, have come back to their village.”

In the past, access to the other side of the village was almost entirely blocked during winter and early spring. “In winter, we could not cross the wooden bridge, fearing snow and ice. In spring, frequent flooding made it impossible to cross the river during the first two months,” explains villager Sher Hossain, 58.

Thanks to the bridge, village children are able to attend school throughout the school year. Mohammad Reza, 30, a resident and teacher in Kajabi village, says: “Students could not attend school until late May. However, since the bridge was constructed, we have convened vital literacy courses for children who had previously missed school. Now all families send their children to school.”

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– Mohammad Reza, teacher, Kajabi village, Bamyan Province
over 11,500 have been re-elected. Together, over 26,000 community development plans have been prepared, and more than 42,700 sub-project proposals designed. About 42,400 of these proposals have been financed with block grants totaling $968 million, and of these, some $1,900 have closed while the others are ongoing. The financed sub-projects include transportation (30 percent), water supply and sanitation (25 percent), irrigation (26 percent) power (5 percent) and other small-scale infrastructure schemes (14 percent).

Cumulatively, over all the NSP phases to date, CDCs have received over $2.3 billion, of which some $1.6 billion have gone to communities through block grants to finance over 89,600 sub-projects. Some 79,000 sub-projects have closed, while the rest is ongoing. Some 8.8 million families have benefited from NSP-financed sub-projects. NSP has created temporary rural employment by generating over 53 million labor days over the past 13 years.

More information: www.nspafghanistan.org

Trans-Hindukush Road Connectivity Project

IDA Grant $250 million

The project aims to support GoAs efforts to improve road transport links across the Hindukush mountain range, including the rehabilitation of the Salang road and tunnel. It will develop existing mountain crossings into dependable, all-season roads that will allow the vital transport of passengers and goods to cross the Hindukush mountain range throughout the year.

There are currently only two road crossings over the mountain range, with the Salang highway carrying most of the cross-Hindukush traffic, and an unpaved secondary crossing between Baghlan and Bamiyan. The project will carry out civil works for the upgrading of the Baghlan to Bamiyan (B2B) road (152 km) into a paved road as well as the rehabilitation of the Salang road and tunnel (87 km). According to the project plan, the construction work for the first segment of B2B is scheduled to begin in July 2016.

Social Safety Net

Afghanistan Safety Nets and Pensions Support Project

IDA Grant $20 million

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

Key elements of a reformed and modernized Public Sector Pension System are in place, including a revised institutional and human resources structure of the Pension Department, a comprehensive new Management Information System (MIS), a set of business processes, fiscal forecasting models for revenues and expenditures, and a new chart of accounts of the pension system. Around 15,000 pensioners are registered in the new pension MIS and are paid through bank accounts.

The first phase of the pilot provided support in the form of cash transfers to over 16,000 poor and vulnerable families (around 80,000 individuals) selected by community committees in eight target districts in five provinces. The second phase of the safety net pilot was launched in another five districts, using a transparent and objective targeting method and technology-based payments. The pilot is subject to a randomized impact evaluation, with preliminary results expected at the end of 2016.

Afghanistan New Market Development Project

IDA Grant $22 million

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

The project is implemented by the Ministry of Commerce and Industry. The General Director of the Private Sector Development Department acts as the Project Director. The Facility for New Market Development (FNMD), created under the project, is officially launched on March 12, 2013. It has received 1,953 applications from small and medium enterprises (SMEs), and signed cost-sharing grant contracts worth $10 million with 430 firms and associations. Moreover, FNMD has processed 74 additional grant agreements with the SMEs that successfully completed their first cycle of agreements. Through FNMD, over 1,500 jobs have been created across the country, including more than 30 percent for women, with 166 new or improved products introduced in either domestic or export markets.

The project was originally scheduled to close on February 29, 2016. However, a six-month no-cost extension has been approved in order to complete remaining activities under the project, bringing the new closing date to August 31, 2016.
EMPOWERED WOMEN see a bright future in Balkh Province

- Women in Balkh Province are being given the opportunity to shape their own future through training courses and jobs that enable them to be financially independent.
- This opportunity is a result of support to small and medium enterprises and business associations by the Afghanistan New Market Development Project, implemented by the Ministry of Commerce and Industries.
- The project seeks to enhance the productive capacity of enterprises and encourage innovation through product and market diversification.

In a brightly lit basement, over 30 women are carefully folding and sewing pieces of fabric to produce fashionable garments for men, women, and children. Their products are uniquely successful in the market, often attracting more customers than similar imported garments.

The garments are produced by the Balkh Women’s Bright Future Social Association. It was set up in 2011 by 10 women activists for the purpose of empowering women to make a livelihood without having to depend on others. Located in the Kart-e-Brishna area of Mazar-e-Sharif city in Balkh Province, the business association has more than 250 members. It also undertakes capacity building activities, including literacy courses.

Bakhtawar Azimi, 38, an association member, is happy to be working at the sewing workshop. “I could never imagine that one day I would be able to work and earn a living but now I can do that. I learned how to sew and I make money through it,” she says.

The association has been able to improve its activities aimed at empowering women like Bakhtawar as a result of support from the Afghanistan New Market Development Project (ANMDP). The project is operated by the Ministry of Commerce and Industries and funded by the World Bank. In 2013, ANMDP enabled the association to offer training opportunities to 90 members in tailoring, needlework, and business communication in English through six-month programs.

Mahboba Ibrahimi, a senior member, says that the ANMDP support has brought profound changes to both the association and its members. “By enhancing the quality and productivity of the association, the trainings have brought about significant improvements in its business and transformed the lives of its members,” she says.

New skills lead to sustainability

ANMDP, launched in May 2011, is a cost-sharing program to support Small and Medium Enterprises and Business Associations to access Business Development Services to enhance their productive capacity and encourage innovation through product and market diversification. The Facility for New Market Development, as the core window through which firms access assistance, operates in four key cities of the country—Kabul, Mazar-e-Sharif, Jalalabad, and Herat.

With ANMDP support and training, members of Balkh Women’s Bright Future Social Association not only learnt a new vocation, but also developed new skills to deal with potential clients. This has led to an increase in the association’s sales by 50 percent in four years, enabling it to be self-sustainable.

“In the beginning, the activities of the association were very limited and they lacked significant achievement. But since ANMDP support in 2013, it has gone through a broad and deep transformation,” Mahboba Ibrahimi says.
The International Finance Corporation’s (IFC) key prong of engagement has been through advisory support focused on improving the investment climate and building capacity, while supporting selective investments in sectors with high development impact and job creation. IFC’s current strategy is in line with the ongoing World Bank Group’s Interim Strategy Note for Afghanistan (ISN-FY2012-2015). The IFC team is working closely with the World Bank on the preparation of the Country Partnership Framework with expected delivery by third quarter of 2016.

Investment portfolio
IFC’s committed Investment portfolio in Afghanistan has more than doubled between FY08 and FY14—from around $58 million to about $135 million. IFC’s portfolio stands at about $54 million and includes one investment in telecommunications (Roshan), one investment in the hotel sector (TPS), and two operations in financial markets (First Microfinance Bank, Afghanistan International Bank—trade facility). IFC’s investments have had a transformational impact in terms of access to finance and outreach, particularly in the microfinance and telecommunications sectors.

The investment pipeline looks promising and includes investments in financial markets, mobile infrastructure, the power sector, and agribusiness. IFC will continue to seek new investment opportunities and engage with local players in order to support the development of Afghanistan’s private sector, particularly in the areas of infrastructure, finance and microfinance, manufacturing, agribusiness, and services.

Advisory Services
A strong Advisory Services program has been supporting the Investment program in the areas of access to finance, Small and Medium Enterprises (SMEs) capacity development, horticulture/agribusiness and investment climate.

In Access to Finance, IFC provided assistance to DAB, the central bank, in collaboration with the World Bank’s Financial Sector Strengthening Program to support the establishment of the first electronic movable collateral registry and the Public Credit Registry. IFC also helped establish regulatory frameworks for leasing. It will now focus on building the strengths of commercial banks and other financial institutions to offer asset-based lending products and to increase utilization of the registries, with a view of further expanding outreach of financial services to more SMEs in the country.

With respect to Enterprise Development, the Business Edge initiative has been facilitating business skills training to individuals and SMEs. The program has trained more than 9,000 individuals (3,935 women), along with employees from 801 micro, small and medium enterprises (MSMEs), plus government and development organizations. IFC has partnered with 10 local training providers to strengthen their capacity, aiming to enhance the sustainability of the provision of management training services.

IFC also has been providing support to SMEs in the agribusiness sector by helping farmers improve productivity and supporting the expansion of market opportunities, both nationally and internationally.

The current focus of IFC’s advisory work is on improving the investment climate through reforms in licensing and construction permit, and indicator-based reform activities as well as ‘doing business’ work on both national and subnational level. IFC has launched the pre-implement phase of the Lighting Afghanistan Program, which aims to expand the off-grid market and facilitate access of 180,000 households to affordable and safe solar lighting solutions.

Further, IFC is increasing the supply of fresh and processed fruits through improved compliance with market standards and integration of farmers into the value chain of leading agribusinesses, giving them access to wider market opportunities.
The Afghanistan Reconstruction Trust Fund (ARTF) was established in 2002 to provide a coordinated financing mechanism for the Government of Afghanistan’s budget and national investment projects. Since its inception, 34 donors have contributed over $8.9 billion to ARTF, making it the largest single source of on-budget financing for Afghanistan’s development.

**Management**

The ARTF has a three-tier governance framework (Steering Committee, Management Committee, and Administrator), and three working groups. This sound framework has enabled ARTF to adapt to changing circumstances and development priorities with consistency and consensus. The World Bank is the administrator of the trust fund. The Management Committee consists of the World Bank, Islamic Development Bank, Asian Development Bank, United Nations Development Programme, Ministry of Finance (MoF), and United Nations Assistance Mission in Afghanistan as an observer. The Management Committee meets regularly in Kabul to review ARTF finances and approve funding proposals. The ARTF Strategy Group, consisting of donors and MoF, meets monthly to review the implementation of the ARTF program and to discuss strategic issues.

**How 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 regular meetings, and those decisions are translated into funds through Grant Agreements signed between the World Bank as administrator of the trust fund 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.

**Donor contributions**

Donor contributions have increased year after year, with both old and new donors contributing to ARTF. Over the last few years the ‘preferenced’ portion of donor contributions has been the main factor driving growth. The agreed ARTF rule is that donors may not ‘preference’ more than half of their annual contributions. This rule is to ensure that ARTF has sufficient funding to finance the Recurrent Cost Window and that it retains some flexibility in the approval of projects in support of government priorities.

**The Recurrent Cost Window (RCW)**

**Grant $3.9 billion**

To date, the ARTF has disbursed $3.8 billion through the government’s non-security operating budget. Domestic revenues continue to be insufficient to cover the costs of government. The ARTF RCW 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, Social Affairs, and Higher Education have also been major recipients.

It should also be highlighted that the RCW 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 RCW accounts for a declining share of the overall budget. Nevertheless, the RCW still finances around 16 to 20 percent of the government’s non-security operating budget.

**The Investment Window**

The Investment Window has increased significantly in volume and scope. Since SY1389 (year 2010), investment commitments have exceeded recurrent cost commitments. ARTF is strongly supporting decentralized and national rural development programs, such as NSP, rural roads, and education.

As of February 19, 2016, there are 20 projects active under ARTF with a total commitment value of $2.81 billion, of which $1.95 billion have been disbursed and the net undisbursed amount is $860 million.

Full details of investment activities are provided in the ARTF Annual Scorecard: [www.artf.af](http://www.artf.af)
Afghanistan Agricultural Inputs Project (AAIP)

Grant $74.8 million

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

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

Under the project, foundation work for building 13 laboratory complexes for the Plant Protection and Quarantine Directorate has been completed, while the design work for quarantine stations has been carried out and contracts for construction awarded. Another major achievement is the completion of a survey and designs of nine Regional Research Stations and four Regional Seed Production Farms. Contracts for four regional research farms and two improved seed production farms have been signed, while procurement of contracts for the rest of the farms is in the pipeline.

To ensure MAIL’s sustainable development, AAIP has trained 339 ministry employees in their technical field through its in-country training program. In addition, 19 employees have been sent for training abroad, and 48 employees are enrolled in a Master’s program in India and two employees are in a PhD program.

AAIP has also procured hardware and equipment such as motor vehicles, motor cycles, office and IT equipment as well as agricultural machinery for relevant MAIL departments at central and regional level.

The AAIP team together with MAIL staff carried out an assessment of Private Seed Enterprises (PSEs) throughout the country to track their strengths and weaknesses in improved seed production. AAIP will also establish a pesticide positioning management center at the Ministry of Public Health, for which a Memorandum of Understanding has been signed.

To strengthen the legal framework of the agricultural input delivery system, the AAIP legal department has developed a pesticide law, which has been approved, while the quarantine law is awaiting presidential approval after being passed by the Afghan parliament, and the fertilizer bill is under consideration at the Ministry of Justice.

Afghanistan Justice Service Delivery Project

Grant $85.5 million

The objective of the Justice Service Delivery Project 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 public to legal information and civil legal education, (d) improving management and provision of legal services by central justice institutions; and (e) building project management capacity. The implementing agencies are the Supreme Court, Ministry of Justice, and Attorney General’s Office (AGO).

There has been progress in several areas: capital investment plans are under development; the development of the Legal Aid Road Map and Legal Aid Regulatory Framework is underway; and Training and Human Resource Management strategies will soon be contracted. Civil service reform in the Attorney General’s Office for administration and support has advanced according to plan. Training programs for prosecutors focusing on white collar and corruption-related crimes have taken place. Moreover, 105 judges have undergone training in the Egypt Training Institute for judges in fields such as criminal law, civil law, commercial law, and family law. The construction of the Information and Administrative Center of the Supreme Court and two other provincial offices has been completed.

The new Criminal Procedural Code and a number of other laws have been distributed to stakeholders. Five legal libraries have been opened by the Supreme Court and Attorney General’s Office.
Afghanistan Power System Development Project
Grant $75 million

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

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

Central Asia South Asia-1000 Community Support Program (CASA-CSP)
Grant $40 million

The project aims to provide access to electricity or other social and economic infrastructure to better plan and execute their development budget, simplify business processes, and provide faster and quality services to Afghan citizens. CBR promotes accountability in line ministries by introducing results-based reform and services improvement programs. CBR is also one of the key tools for the government to reduce reliance on external technical assistance and parallel structures. The grant helps finance the costs associated with (i) technical assistance for preparation and implementation of capacity building programs; (ii) recruitment of some 2,400 managerial, common function, and professional staff for key positions in selected line ministries; (iii) a management internship program; (iv) training of civil servants; and (v) project management, monitoring, and evaluation.

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

Capacity Building for Results Facility Project for Afghanistan
Grant $100 million

Capacity Building for Results (CBR) is a capacity building, institutional development, and public administration reform project to strengthen capacity of selected line ministries to better plan and execute their development budget, simplify business processes, and provide faster and quality services to Afghan citizens. CBR promotes accountability in line ministries by introducing results-based reform and services improvement programs. CBR is also one of the key tools for the government to reduce reliance on external technical assistance and parallel structures. The grant helps finance the costs associated with (i) technical assistance for preparation and implementation of capacity building programs; (ii) recruitment of some 2,400 managerial, common function, and professional staff for key positions in selected line ministries; (iii) a management internship program; (iv) training of civil servants; and (v) project management, monitoring, and evaluation.

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Afghanistan On-Farm Water Management Project
Grant $70 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 corps increased 10 percent, and the irrigated area increased by 10 percent. Physical rehabilitation of irrigation schemes exceeded its target with good quality and within the project budget allocation and timeline. 100 irrigation schemes (mostly informal) have been rehabilitated, covering a total of 19,000 hectares of irrigation command area.

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

The ARTF Management Committee at the request of GoA has recently approved an additional $45 million to scale up achievements of the project by increasing its scope and adjusting the project components. The project closing date has been extended for another three years (now closing in December 2019).
The project is expected to deliver welfare and human development benefits to over 700,000 people through services provided in some 3,800 hectares of private land. Equipment for the roads and sanitation departments of Kabul Municipality will combat pollution and improve service delivery as well as the city environment. There will be project support to develop a plan for improving the municipality’s financial management and planning capacity to deliver improved services. The plan will enhance Kabul Municipality’s legitimacy when implemented.

To date, $22.3 million have been disbursed. There are 459,876 direct beneficiaries (40 percent of the target number, 203,524 from upgrading in their neighborhoods, and 235,352 from new trunk roads) and 139,472 indirect beneficiaries, including students, teachers, and staff of several schools and institutions of higher education located within the upgraded areas. About three quarters (73 percent) of the beneficiaries are women and children. Some 12,200 tree saplings have been planted in 19 Guzars (neighborhoods) with 700,000 people directly benefits; some 2,400 students and 235,352 from new trunk roads). The executed works have generated more than 1 million man-days of temporary employment.

Kabul Municipal Development Program (KMDP)

Grant $10 million

Kabul Municipality is responsible for implementing the project. The project objectives are to: (i) increase access to basic municipal services in selected residential areas of Kabul city; (ii) redesign Kabul Municipality’s Infrastructure and solid waste collection mechanisms are functioning in most of the Guzars. The executed works have generated more than 1 million man-days of temporary employment.

The Higher Education Development Project (HEDP) aims to increase access to higher education in Afghanistan, as well as improve its quality and relevance. HEDP uses an Investment Project Financing instrument based on the Results-based Financing modality. Under Component one, project funds will be disbursed against selected line items in the annual budget of the Ministry of Higher Education (MoHE) up to capped amounts, and on condition that the agreed set of development-linked indicators (DLIs) are achieved. The DLIs reflect priorities for development. These include intermediate outcomes that build cumulatively over the lifespan of HEDP to improve access to the higher education system and raise its quality and relevance. This component will support the reforms initiated through the National Higher Education Strategic Plan II, and will focus on outcomes and results rather than inputs.

The project started in July 2015 and MoHE is on course to complete the three disbursement-linked indicators that are required for the project to disburse the full tranche under the program component for 2016. The three DLIs for the first year have been met, which include awarding 100 scholarships, of which one third were awarded to female academics, training of 75 faculty members in outcomes-based education and student-centered learning, and awarding 30 individual and group research projects of faculty members from public universities.

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Kabul Municipality is responsible for implementing the project. The project objectives are to: (i) increase access to basic municipal services in selected residential areas of Kabul city; (ii) redesign Kabul Municipality’s Infrastructure and solid waste collection mechanisms are functioning in most of the Guzars. The executed works have generated more than 1 million man-days of temporary employment.

The Higher Education Development Project (HEDP) aims to increase access to higher education in Afghanistan, as well as improve its quality and relevance. HEDP uses an Investment Project Financing instrument based on the Results-based Financing modality. Under Component one, project funds will be disbursed against selected line items in the annual budget of the Ministry of Higher Education (MoHE) up to capped amounts, and on condition that the agreed set of development-linked indicators (DLIs) are achieved. The DLIs reflect priorities for development. These include intermediate outcomes that build cumulatively over the lifespan of HEDP to improve access to the higher education system and raise its quality and relevance. This component will support the reforms initiated through the National Higher Education Strategic Plan II, and will focus on outcomes and results rather than inputs.

The project started in July 2015 and MoHE is on course to complete the three disbursement-linked indicators that are required for the project to disburse the full tranche under the program component for 2016. The three DLIs for the first year have been met, which include awarding 100 scholarships, of which one third were awarded to female academics, training of 75 faculty members in outcomes-based education and student-centered learning, and awarding 30 individual and group research projects of faculty members from public universities.
Kabul Urban Transport Efficiency Improvement Project (KUTEI)

**Grant $90.5 million**

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

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

Initial activities, including survey, design review, and procurement of civil works, started during the preparation of the project. Implementation of two out of four National Competitive Bidding civil works contracts (Lot 1 and Lot 2) is completed and the roads are opened to traffic. The progress of the remaining two contracts stands at 65 percent for Lot 3 and 10 percent for Lot 4. The procurement process for two out of four International Competitive Bidding civil works contracts (Lot 5 and Lot 6) has been completed and the contract is ready to be awarded. The design review for Lot 8 is completed and the procurement process has started, while the design review for Lot 7 and the Wazir Abad canal is in progress.

Naghlu Hydropower Rehabilitation Project (NHRP)

**Grant $83 million**

The Naghlu Hydropower Rehabilitation Project will give a much needed boost to the energy sector in Afghanistan, which has suffered serious neglect as a result of decades of civil war and insurgency. Challenges in the sector mainly relate to the physical condition of equipment, resulting from delays in operation and maintenance, and inadequate institutional capacity. In June 2015, Afghanistan’s access to electricity rate was estimated at about 25-30 percent. Electricity is available mainly in the urban areas and along a few transmission corridors.

Hydropower provides 94.6 percent of domestically generated electricity with an installed capacity of 254 MW. In 2015, there were 12 hydropower plants in Afghanistan, not counting the over 5,000 off-grid micro-hydropower plants constructed under the National Solidarity Program. The two largest among the 12 are the Naghlu Hydropower Plant at 94 megawatt installed capacity and Mahipar-Hydropower Plant at 66 megawatt installed capacity. The project will focus on the Naghlu Hydropower Plant, which is of strategic importance to Afghanistan’s power generation portfolio as it provides more than half of Kabul’s electricity.

NHRP aims to improve dam safety and to increase the supply of electricity at the Naghlu Hydropower Plant. The rehabilitation and improvement of the energy sector is a high priority for GoA and a critical part of its national development program. Better energy services will help meet the government’s development goals by stimulating job growth and production, and improving the quality of life of the Afghan population. The project will also have important climate change impacts by reducing dependence on fossil fuel.

National Horticulture and Livestock Project (NLHP)

**Grant $100 million**

The National Horticulture and Livestock Project contributes to the overarching goal of increased productivity and overall production of horticultural products, and improved animal production and health. The technical strategy for achieving this objective is based on the delivery of extension and investment support through strengthened systems. The project has three components: (i) horticultural production; (ii) animal production and health; and (iii) implementation management and technical assistance support. These activities were initially implemented in 120 focus districts in 21 target provinces. Based on the high demand for NLHP services, the project has expanded its activities since the beginning of 2016 to another four provinces in southern Afghanistan (Kandahar, Helmand, Ghazni, and Wardak). Thus covering 27 out of the 34 provinces in the country.

The project aims to promote adoption of improved production practices by target farmers, with gradual rollout of farmer-centric agricultural services systems and investment support. Service delivery centered on farmers will promote increased participation of beneficiaries in defining the type of services required and in the delivery itself. The project will also promote improved ratio of overall costs, reaching beneficiaries as direct investments. The aim is, thus, to promote sustainability, effectiveness, and efficiency.

As of March 2016, the project has financed the establishment of 12,035 hectares (ha) of new orchards (against a cumulative target of 6,000 ha), about a third of which are in the new provinces. Similar substantial achievement has been recorded for rehabilitation of orchards (76,442 ha actual against a target of 6,000 ha). In addition, demand from target beneficiaries for kitchen gardening support has been very high, and the entire annual pro-
NHLP continues to introduce innovative lines of investment support. It has successfully introduced production techniques to inter alia, extend the production period of vegetables by establishing some 1,840 production schemes based on the use of micro greenhouses. It has created a culture of high productivity dry land cultivation by having already supported the establishment of 1,990 ha—a cumulative target of 300 ha—of pistachio groves with high yielding varieties. The project has promoted modernization of the horticulture sector by establishing 52.7 ha of demonstration high and medium density orchards. Further, 5,000 producers applied integrative lines of investment support. It has successfully introduced production techniques that would subsequently facilitate quality training programs and enhanced employment opportunities for trainees.

Non-formal Approach to Training

The objective of NATEJA is to increase the potential for employment and higher earnings of targeted young Afghan women and men in rural and semi-urban areas through non-formal skills training. The project focuses on improving labor market outcomes (e.g., earnings and employment) for unskilled and semi-skilled youth through enhancing the quality of training delivery, and providing entrepreneurship/apprenticeship support.

Component 1: The objective is to train 45,000 Afghans by providing incentives to training providers and creating an opportunity for competition and improved quality of training. Currently, 192 non-formal private and non-governmental training providers have been identified and will compete for incentives based on the number of certified graduates and the number of students employed after completing the training.

The rationale for this intervention is that incentives directly linked to labor market outcomes are likely to encourage training providers to actively prepare students for the certification exam and help graduates seek employment. It is also based on the premise that labor market outcomes cannot improve unless the quality of non-formal training improves.

Significant progress has been made in improving and developing the quality of training material and standardizing occupations to international skill standards, which would subsequently facilitate quality training programs and enhanced employment opportunities for trainees.

Component 2: NATEJA will provide capacity development assistance including increased staffing, staff training, and a range of Technical Assistance (TA) to support: (i) financial management, (ii) procurement, (iii) entrepreneurship development, (iv) employment services, and (v) labor market information collection, analysis and utilization. The monitoring and evaluation (M&E) capacity of the National Skills Development Program will be enhanced so that reliable and suitably disaggregated project performance data can be collected and analyzed.

The integration of NATEJA within the Directorate General of Skills is underway and will be completed by May 2016. Under this component, NATEJA has partnered with the Italian Development Cooperation Office (IDCO) to conduct an impact evaluation of the business grant program on job creation, earnings, and skills acquired. Significant progress has been made in the development of a comprehensive M&E, where several web-based applications have been established for data collection and monitoring progress in the implementation of Components 1 and 3.

Component 3: The focus is on building the skills of illiterate and unskilled young Afghans from villages engaged with the Afghanistan Rural Enterprise Development Project (AREDP), and offering business grants to new and existing entrepreneurs.
Tenth-grade student Rahimullah, 17, is weighing pebbles on a digital scale and putting them into little plastic bags. He is working a little apart from the other students, who are following instructions from their teacher and working with chemical substances and test tubes in one corner of the laboratory.

Rahimullah, a student of Sufi Sahib Boys High School, is in the laboratory to revise his chemistry lessons. “With access to the laboratory facility, we can now practice our chemistry experiments,” he says. The laboratory is filled with students who are enthusiastically working on their laboratory experiments.

Sufi Sahib Boys High School is located in Chuni neighborhood in Kandahar city, the capital of Kandahar Province. There are over 4,300 students enrolled at the school with 85 teachers and 25 administrative staff.

The high school, established in 1972, received a Quality Enhancement Grant (QEG) of $5,500 from the second phase of the Education Quality Improvement Program (EQUIP II) in 2013. EQUIP II seeks to increase equitable access to quality basic education. It is implemented by the Ministry of Education with funding support from the Afghanistan Reconstruction Trust Fund (ARTF).

The QEG was spent on equipping the school’s laboratory and library, which were in bad condition. The support to equip the school with modern facilities has helped improve the school’s standing says Mohibullah Qaderi, the principal. “A good laboratory and library have enhanced the ranking of the school in the entire province,” he says. “It has attracted more students to join the school. Some of the lessons are taught through presentations using projectors—that is rare in the schools of Afghanistan.”

Conducive environment to learning

In Kandahar, where it has created 360 School Management Shuras (councils) EQUIP works in 12 districts. EQUIP has built 91 school buildings in Kandahar Province, two-thirds of which were built by the School Management Shuras and the rest through contracts with private companies.

The QEG to Sufi Sahib Boys High School follows earlier EQUIP support of an Infrastructure Development Grant of $32,000 to construct a six-classroom building in 2010. Teacher Abdul Ghafar, 52, notes the positive changes in learning outcomes after the construction of the building. “Before the new building was constructed, students were affected by the hot and cold weather and were not able to concentrate on their studies,” he says. “We are able to use fans in the summer and heaters in the winter now. Students concentrate better on their studies and the quality of teaching and learning has improved.”

Hafizullah, 18, a tenth-grade student, is also pleased with the changes. He is sitting in his classroom together with 30 classmates and reading a textbook. “Before the six-classroom building was built, classrooms were overcrowded, which made it hard for students to understand their lessons. Many other students were sitting and studying under tents,” he says. “The classrooms are quiet and conducive to effective learning now.”

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–Mohibullah Qaderi, principal, Sufi Sahib Boys High School

NEW SCHOOL FACILITIES enhance quality of education in Kandahar Province

• Modern laboratory facilities and a library are providing students at a boys’ high school in Kandahar Province with the tools to enhance their learning.

• The new school facilities are a result of a Quality Enhancement Grant from the Education Quality Improvement Program, implemented by the Ministry of Education.

• The second phase of the program aims to increase equitable access to quality basic education.

Results 38
Activities around the business grant is underway after an intensive awareness campaign that was carried out by Employment Service Center staff to reach the target population of illiterate Afghans in three selected provinces (Balkh, Nangarhar, Kabul). This has resulted in about 8,500 applicants (3,000 from Balkh, 4,000 from Nangarhar, 1,500 from Kabul) registered with a business plan. An initial list of 2,600 potential beneficiaries from Kabul) registered with a business plan.

The information provided by the beneficiaries will be vetted by a broad range of people to ensure transparency.

Second Education Quality Improvement Program (EQUIP II)

EQUIP’s objective is to increase equitable access to quality basic education, especially for girls. 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 February 2016, EQUIP II has supported the construction of 1,033 schools and teacher training colleges (TTCs). According to EMIS, there are 8.5 million children enrolled in schools throughout Afghanistan, of whom 3.3 million (39 percent) are girls.

Under both phases of EQUIP, social mobilization activities have been conducted in 14,482 communities, resulting in the establishment of a self-help fund (community-based consultative bodies).

In addition, 11,543 schools (against the target of 5,000) benefited from quality enhancement grants amounting to $25 million.

To date, 154,811 teachers have been trained under In-Service Teacher Training packages, 35 percent of whom are women. At the same time, 21,277 principals and administrators have undergone School Management Training, some 20 percent of whom are women.

At the same time, 11,432 communities, resulting in the establishment of an equal number of school shuras (community-based consultative bodies). Under EQUIP II, 11,543 schools (against the target of 5,000) benefited from quality enhancement grants amounting to $25 million.

Second Public Financial Management Reform Project

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

Project components include:

1. Procurement Reform: To provide technical assistance to the National Procurement Authority (NPA) to assess the legal and institutional frameworks, handle procurement under the recipient’s budget, develop an action plan for procurement, prepare an e-procurement assessment and build human capacity of procurement staff, improve the quality of trainings of procurement officers, and build capacity in line ministries.

2. Financial Management Reform: To provide technical assistance to the Treasury Department to ensure high quality financial management, focusing on integrating its operation system with government systems and the application of the Afghanistan Financial Management Information System (AFMIS), introduce improved management reporting and expand access of AFMIS budgetary units in the provincial offices of the Ministry of Finance (MoF); assist staff in the preparation, monitoring, and implementation of
individual training plans, as well as annual performance appraisals, prepare training modules on MoF processes under the certified accounting technician courses provided by the Association of Chartered Certified Accountants (UK), establish a national steering committee for developing and regulating the accounting and auditing profession and the training of professional accountants, and conduct a public financial management assessment of seven line ministries.

Audit Reform and Performance: Internal Audit—to finance the services of consultants to lead key internal audits and to provide on-the-job training; support basic training to all internal audit staff, and provide more advanced training to staff who have completed the basic training.

External Audit—to provide assistance to the Supreme Audit Office to develop its knowledge, expertise, and practices in using the services and results of other auditors and experts in line with International Auditing Standards, in particular for project audits, support consultant services to train staff and lead high quality independent review of all operations under the budget of nine line ministries over the project period, and finance training of members of the Public Accounts Committee.

3. Reform Management: To support MoF by establishing a structure and job descriptions, providing training for staff in the monitoring and evaluation department, and revising MoF’s existing monitoring and evaluation manual; improve the operations of the Human Resource Management Department (HRMD) to enable it to carry out its functions efficiently; assist in the overall project implementation and provide for future requests for assistance on the design and delivery of public financial management technical assistance across government; and provide broad-based training for staff of MoF and line ministries.

4. Revenue Mobilization: To support the Afghanistan Revenue Department to carry out its mandate, including support for the maintenance of the computerized tax system (Standard Integrated Government Tax Administration System, SIGTAS), implementation of tax-related initiatives such as risk-based compliance, implementation of the new value added tax (VAT), and the design and implementation of its new organizational structure.

Outcomes of the progress made include:
(i) disbursed approximately $69 million from the total commitment (60 percent); (ii) 350 staff have been trained at headquarters and 315 in the provinces on different treasury-related and general training programs; (iii) Audit Training Program-II training, in which 326 internal auditors from 20 line ministries and 10 independent directorates in the last six batches were trained; (iv) under the reform management component, 23 training programs on different topics and more than 415 staff have been trained; (v) all budget executions from AFMIS are now managed at the Central Treasury in Kabul and by the Mustoafs in the provinces; (vi) continuous support to the Verified Payroll Program, which involves employee verifications, computerized payroll records and establishment of payment mechanisms with commercial bank; and (vii) HRMD newsletters in Dari, Pashto, and English, MoF Questions Bank Book, and press releases available on the MoF website.

Note: All dollar figures are in US dollar equivalents.
IDA, the International Development Association, is the World Bank’s concessory lending arm.
The project aims to increase the employment potential and earnings of TVET graduates.