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# Country Update

THE WORLD BANK GROUP IN AFGHANISTAN

“The agricultural sector employs 60 percent of the nation’s workforce and is central to Afghanistan’s economy.”

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## MULTIPLE SOURCES OF GROWTH NEEDED FOR DEVELOPMENT

The World Bank analysis shows that no single sector can meet all of Afghanistan's development needs.

- Agriculture will provide a vital source of employment and growth.
- Public investment in education and health will support higher labor productivity and reduced fertility rates.
- Extractive industries must be developed to provide government revenues and foreign exchange earnings.
- Regional integration should be pursued, supporting energy transit trade and expanding export opportunities in agriculture and extractives.
- A scheme for managed labor migration could expand access to employment opportunities, increase remittances and strengthen incentives to invest in education.

The World Bank team highlighted the importance of institutions in enabling growth and managing risks in these sectors. Given resource and capacity constraints facing the government, the analysis recommended institutional strengthening efforts focus on sectors and functions that matter most for growth and conflict mitigation, including extractive sector regulation, the justice sector, policing, and core social services.

## NEWS



### WORLD BANK: AGRICULTURE AND EDUCATION CAN DRIVE AFGHANISTAN'S DEVELOPMENT

The World Bank presented an overview and analysis of Afghanistan's economy at the Brussels Conference on Afghanistan on October 5, 2016. A total of 70 countries and 20 international organizations and agencies were represented at the conference, co-hosted by the European Union and the Government of Afghanistan. Discussion focused on the need for sustained international support, Afghanistan's recent reform efforts, and the importance of regional cooperation.

The World Bank highlighted four key messages in its presentation 'Navigating Risk and Uncertainty in Afghanistan':

- Afghanistan will remain heavily resource-constrained and aid-dependent until beyond 2030.
- Agricultural development and increased investment in human capital can drive economic growth and job creation.
- As aid declines over time, extractive industries need to be developed to provide an alternative source of revenues and foreign exchange receipts.
- Interventions are needed to help firms and households deal with insecurity, including a targeted social transfer system to protect vulnerable households, and new financial instruments to encourage private investment despite high risks.

The analysis highlighted substantial improvements in development outcomes since 2001 but also showed that some gains are now being eroded through increasing insecurity and weakening private sector activity. Afghanistan's future prospects will depend heavily on policy reforms undertaken over coming years. Without reforms and increased investment, slow economic growth will provide only marginal improvements in living standards and social outcomes, leading to continued aid dependence and increasing fragility risks.

With increased aid, an expenditure program focusing on infrastructure and service delivery expansion, and reforms that encourage private sector investment, agriculture and extractives could drive growth of 6.5 percent per year, supporting higher incomes, creating jobs, and reducing reliance on aid.

## WORLD BANK GROUP SUPPORT

### World Bank projects and programs

Since April 2002, the World Bank's International Development Association (IDA) has committed over \$3.34 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 16 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 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](http://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's portfolio stands at about \$80 million and includes two investments in the telecommunication sector (MTN—a joint project with the Multilateral Investment Guarantee Agency—and Roshan), one investment in the hotel sector (TPS), and two operations in financial markets (First Microfinance Bank, Afghanistan International Bank—trade facility). 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 26.**

### Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) has \$154 million of gross exposure for three projects in Afghanistan. MTN is a joint effort with IFC in the country's critical telecommunication sector. The other two projects support 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.

### 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.

### 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 August 2016, 34 donors have contributed over \$9.2 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 \$4 billion has been disbursed to GoA to help cover recurrent costs, such as civil servants' salaries, and over \$4.4 billion had been made available, both for closed and active investment projects. As of August 21, 2016, 20 projects are active under ARTF with net commitment value of \$3.1 billion.

⇒ **For more information: see page 28.**

### 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 August 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/U5OQZVF200> ■

## ONGOING OPERATIONS

## / EDUCATION AND TRAINING

**Afghanistan Second Skills Development Project (ASDP II)**

⇒ IDA 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 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 (NOSS) 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 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), where students pursue a two-year business program equivalent to a Bachelor's degree. Enrollment has risen from 300 students to over 1,000 students in two years, with female enrollment improving significantly. With the support of an implementing partner (Ball State University), seven rounds of a credible and transparent entrance exam has been conducted at NIMA, and is a considered a best practice across the sector.

The National Institute of Management and Administration, supported by the Afghanistan Second Skills Development Project, has become one of Afghanistan's premier higher education institutions, attracting students from across the country. The institute provides students with resources and opportunities not found elsewhere. Students have access to a well-equipped library and computers with Internet access.

**Component 3:** The project supports a 'challenge 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 522 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.

To support technical teacher training an



in-service Technical Teacher Training Institute was established in 2013, from which two cohorts have graduated. An additional 972 in-service technical teachers were assessed and trained in 2016, in close collaboration with GIZ.

**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**

⇒ IDA 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 continuing support to the microfinance sector through the Microfinance Investment Support Facility



“From now on, I can have a better life through managing my livestock, and I will at least be able to send my children to school.”

—Zainab, Targeting the Ultra Poor beneficiary, Qezelabad village

## RAISING LIVESTOCK GIVES rural poor a chance at brighter future

- Ultra-poor rural families are being given an opportunity to earn a livelihood and become entrepreneurs by raising livestock through a program aimed at helping them generate income.
- The Targeting the Ultra Poor program, part of the Afghanistan Access to Finance Project implemented through the Microfinance Investment Support Facility for Afghanistan, aims to move participants from safety nets programs to income-earning activities and link them with microfinance programs.
- The Access to Finance Project is supported by the International Development Association, the World Bank Group’s fund for the poorest countries.

**B**ibi Gul, 40, holds her cow’s halter and smiles at the congratulatory clapping from a group of women. She quietly takes slow, labored steps, leading her new cow to stand by a wall next to several other women waiting for their cows.

“I am very happy because I just received a cow today,” says Bibi Gul. “I want to take good care of her so that I can sell the milk and raise calves to improve my living conditions.” She lives in a house with nine family members in Qezelabad village in Nahr-e-Shahi district in Balkh Province.

Her life had taken a downturn when she lost her husband. “When a woman, particularly a widow, wants to work outside her house, people stigmatize her,” says Bibi Gul. “For this reason, I cannot work outside my house.” The only thought that consumes her is feeding her six small children.

Bibi Gul received the cow through the Targeting the Ultra Poor (TUP) program. Today is a bright day for her. She calls it the light after the darkness. She hopes to work and put food on the table for her children. “If I get the opportunity, I will also establish a small enterprise,” she adds.

The TUP program is part of the Afghanistan Access to Finance Project implemented through the Microfinance Investment Support Facility for Afghanistan (MISFA).

Nationally, the TUP program, which began in 2015, has provided assistance to 6,725 families. It aims at ‘graduating’ participants from safety nets programs to income-earning activities, linking them with microfinance programs. The program provides beneficiaries a three-year package of inputs, including the transfer of productive assets (such as livestock); training (classroom and practical work); subsistence support (monthly stipend as short-term income support); and basic healthcare through community-based health workers.



### Create opportunities for better lives

The TUP program operates in four districts—Dehdadi, Dowlatabad, Kholm and Nahr-e-Shahi— in Balkh Province, where a nongovernmental organization, Coordination of Humanitarian Assistance (CHA), has been contracted by MISFA to implement it.

“By distributing livestock to poor women, we create opportunities for them to improve their living conditions by working from home,” says Mohammad Rashed Sekandari, the Balkh CHA provincial coordinator.

Women, such as Zainab, 45, who have no other means to earn an income have everything to gain from the TUP program. A widow with three children, she hopes that the four goats she has received will lead to a brighter future. “From now on, I can have a better life through managing my livestock, and I will at least be able to send my children to school,” she says.

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 SMEs and thus facilitate their access to financial services. It will support the expansion of the Afghanistan Credit Guarantee Facility, and provide 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.

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). Component 2 has not yet started, as discussions are ongoing between the Ministry of Finance and the Afghanistan Credit Guarantee Foundation for an agreement to be signed.

While the project implementation is still in its early days, the procurement process related to the scale up of the Targeting the Ultra Poor Program has been completed and the contract awarded on July 26, 2015.

## 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, the main means of making payments in Afghanistan, and transitioning to electronic, card or mobile payments. The project will also provide further support to the Afghanistan Institute of Banking and Finance (AIBF) to allow it to scale up its activities, in order to increase the availability of banking sector skills.

The project was restructured and additional financing to the project (\$6.7 million) supported selected technical assistance activities originally financed under the Financial Sector Strengthening Project, which closed in June 2014. The additional financing targeted activities to strengthen DAB's capacity and the establishment of a Public Credit Registry.

The audits of the 10 commercial banks were completed in June 2012. A Movable Collateral Registry and a Public Credit Registry, set up in 2013, are now fully operational.

Establishment of the switch to cashless payment is underway at the Afghanistan Payment System, while the procurement process for development of the Automated Transfer System (ATS) is complete and the contract is expected to be awarded soon. Having these two systems in place will boost financial intermediation and ease flow of liquidity within the banking system, contributing to a more efficient and well-functioning banking system.

## 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.

**PENTA3 IMMUNIZATION COVERAGE MORE THAN DOUBLED** (a combination of five vaccines in one covering polio, 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.



This clinic in Kandahar Province, serving a population of 15,000, provides free daily health care services. It is one of 46 clinics in the province in which the health services are provided by an NGO contracted by the Ministry of Public Health under the System Enhancement for Health Action in Transition Program.

### / HEALTH

## System Enhancement for Health Action in Transition (SEHAT) Program

⇨ IDA GRANT \$100 MILLION

⇨ ARTF GRANT \$516 MILLION

⇨ GOVERNMENT OF AFGHANISTAN \$30 MILLION

⇨ MULTI DONOR 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, 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.

The project includes the following three components:

**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 nongovernmental organizations, which will deliver health services as defined in these packages.

**Component 2:** Building the stewardship capacity of MoPH and system development by supporting the following thematic areas: strengthening subnational government; strengthening the healthcare financing directorate; developing regulatory systems and capacities for ensuring quality pharmaceuticals; working with the private sector; enhancing capacity for improved hospital performance; strengthening human resources for health; governance and social accountability; strengthening the Health Information System and use of information technology; strengthening health promotion and behavioral change; 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 MoPH, including incremental operating costs at central and provincial levels and technical assistance.

The Afghan health system has made considerable progress during the past decade thanks to strong government leadership, sound public health policies, innovative service delivery, careful program monitoring and evaluation, and development assistance. Data from household surveys (between 2003 and 2011) show significant declines in maternal and child mortality.

Despite significant improvements in the coverage and quality of health services, as well as a drop in maternal, infant and under-five mortality, Afghanistan health indicators are still worse than the average for low income countries, indicating a need to further decrease barriers for women in accessing services. Afghanistan also has one of the highest levels of child malnutrition in the world. About 41 percent of children under five suffer from chronic malnutrition, and both women and children suffer from high levels of vitamin and mineral deficiencies.

## / INFRASTRUCTURE

### Afghanistan Information and Communication Technologies (ICT) Sector Development Project

⇒ IDA GRANT \$50 MILLION

The project builds on the success of earlier projects and catalyzes the next phase of ICT development in the country. It 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.

Major milestones under the project include progress in construction of optical fiber cable with completion of about 910 km of cable. Five communication nodes on the north-east segment have become operational. On the central route, Bamiyan to Yakawlang is almost completed. In addition, new contracts for Kunar, Kapisa, and Bamiyan–Mazar-e-Sharif routes have been signed and work is progressing.

A total of 2,300 Afghans (over 400 women) have been trained under the IT skills development program and another round of specially designed job-oriented training programs will run in 2016. Job fairs for 1,500 successful trainees have been held.

The Ministry of Communications and Information Technology (MoCIT) is preparing an open access policy for the national backbone network, ensuring non-discriminatory access to wholesale Internet bandwidth

Under the Afghanistan ICT Sector Development Project, 2,300 Afghans, including over 400 women, have been trained under an IT skills development program. The project is helping to develop the local IT industry by expanding the pool of skilled and qualified IT professionals.



for all firms. The Common Services Delivery Platform (mobile governance hardware and software) has been commissioned and 30 mobile applications have been developed and hosted on the platform; line ministries are in the process of developing the contents. The platform allows any citizen with a mobile phone to access a set of public services.

Two rounds of the Innovation Support Program awarded 15 local innovators for

their ideas on how mobile technologies could help address challenges in various sectors, including agriculture, education, and health.

The ICT business incubator complex has been constructed in the ICT Institute area of MoCIT and 20 start-up business entities have undergone training programs in the complex to date. Under the Capacity Building Program of MoCIT, 443 ministry staff members have been trained so far.



The rehabilitation of irrigation canals is turning previously uncultivable areas into productive, arable farmlands in many areas of the country. The rehabilitation of irrigation systems is undertaken by the Irrigation Restoration and Development Project and has benefited over 63,000 farmers and their families across the country.

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

⇒ IDA GRANT \$526.5 MILLION

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 1,300 megawatts (MW) of sustainable electricity trade.

The total project cost is estimated at \$1.17 billion and several other development partners will provide financing for CASA-1000, including the Islamic Development Bank and United States Agency for International Development (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 Toktogul in Kyrgyz Republic and Nurek in Tajikistan, are already in place.

Of the total project financing, **Afghanistan will receive \$316.5 million** in the form of an IDA grant. The grant will support construction of about 560 km of overhead transmission line to connect the electricity network via the northern and eastern provinces of Afghanistan. It will also finance the engineering design, construction, and commissioning of a 300-MW converter station in Kabul.

Afghanistan is expected to connect more households and businesses to the power grid by importing 300 MW of electricity through CASA-1000. Da Afghanistan Breshna Sherkat (DABS), Afghanistan's electricity company,

and the Ministry of Energy and Water will implement Afghanistan's portion of this project, including a Security Management Plan for both the construction and operation phase.

## 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.

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, a prefeasibility review of 22 small dams resulted in a feasibility study being conducted on the six best ranked dams in the northern river basin (which is not on international rivers). A detailed social and environmental study will be carried out.

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 ARTF is under process.



**“Floods destroyed the farmlands before the reconstruction of the canal, but those problems are now solved.”**

—Aziz Ahmad, head, Tajik Community Development Council

## CANAL RECONSTRUCTION IMPROVES rural living in Bamyan Province

- The reconstruction of canal systems in Bamyan Province is enabling farmers to increase productivity of their lands through better irrigation and improve living standards through hydro-powered electricity.
- Canals and irrigation systems across Afghanistan are being improved under the Irrigation Restoration and Development Project, implemented by the Ministry of Energy and Water.
- The project is supported by the World Bank Group’s International Development Association (IDA) and Afghanistan Reconstruction Trust Fund (ARTF).

**B**aaz Mohammad Mehr, 42, is working on his land on a quiet, warm summer afternoon. With his sickle, he cuts the green stems and leaves of potato plants. He has planted potatoes on most of his land this year—a crop of Bamyan Province that is famous across Afghanistan for its unique taste.

Mehr has been encouraged to plant more potatoes after seeing bumper harvests in the last two years. “In the past, I harvested about 1,400-1,750 kg of potatoes from my land. However, in the last two years, the same piece of land has yielded up to 3,500-3,850 kg of potatoes. I am very happy about the increase in my crop output,” says Mehr, a resident of Tajik village in Bamyan city who earns his living from farming.

The increase in land productivity is the result of a sufficient and reliable supply of water to village farms, facilitated by the construction of the Asiab Canal Intake Gate in Tajik village. The one-kilometer long canal includes an intake gate and a floodgate. It has solved the challenge of outflow of river water, the only source of irrigation of the village farms. Previously, most of the water would go to waste because of the lack of a system to channel water to the farms.

Existing canal systems, like the one in Tajik village, are being improved to modern standards under the Irrigation Restoration and Development Project (IRDP), implemented by the Ministry of Energy and Water.

### Villagers enjoy multiple benefits

Aziz Ahmad, 45, head of the Tajik Community Development Council, explains the improvement: “The water level of the river that passes through the village rises each year in the first two months of spring. Floods destroyed the farmlands before the reconstruction of the canal. But those problems are now solved by the construction of the concrete canal intake gate.”

The farmlands are now adequately irrigated, while



being kept safe from destruction, through the regulation of the water flow at the Asiab Canal Intake Gate. A bridge used for transportation has also been fortified and made safe.

In addition to its positive impact on irrigation and agriculture, the canal reconstruction has brought multiple benefits. The water mill located by the canal has increased its productivity because of the greater supply of water. As a result, many villagers from nearby villages bring their wheat grains to the mill to grind into flour.

Also, as a result of the increased water supply, Tajik village residents have been able to activate the micro-hydropower dam and generate sufficient electric power for lighting. “Our micro-hydropower generator is more active than it used to be and our children can now study under the light of electric lamps,” says resident Abdul Basir, 49, who is pleased that the construction of the Asiab Canal Intake Gate has revived the village.

## 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 customs offices, covering more than 95 percent of declared trade. Migration from the ASYCUDA++ version to the newer web-based ASYCUDA World platform has been completed in 12 sites, with both international and national transit covered.

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 18 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 in-



Extractive industries have to be developed to provide government revenues and foreign exchange earnings to help meet the country's development needs. The Sustainable Development of Natural Resources Project has made steady progress to improve the capacities of relevant authorities to regulate mineral resource development transparently and efficiently, and foster private sector development.

spectorate 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 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; and implementation of the Extractive Industries Transparency Initiative (EITI).

The Afghanistan EITI 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. The third round included workshops in the southern and western provinces in March and April 2016.

The excavation of nearly 80 percent of the archeological red zone at Mes Aynak is underway. The employment of seven international archeologists, 18 Afghan archeologists, management and 18 field support staff, and some 550 laborers from surrounding communities is also in progress. Over the past year, the MoMP and MoIC have significantly increased their level of coordination (a bottleneck to progress in the past) and ownership over the project.

## / RURAL DEVELOPMENT

## Afghanistan Rural Access Project (ARAP)

⇒ IDA GRANT \$125 MILLION

⇒ ARTF GRANT \$207 MILLION

ARAP aims to enable rural communities across Afghanistan to benefit from improved access to basic services and facilities through all-weather roads. The project is expected to increase the number of people living within 2 kilometers (km) of all-season roads, reduce travel time to essential services, and enable rural communities to access essential services more frequently.

As of September 2016, construction of 410 km of secondary gravel roads, 105 km of secondary asphalt roads, and 900 km of tertiary roads have been completed. In addition, 1,100 linear meters of secondary bridges and 1,484 linear meters of tertiary bridges have been built. In the meantime, routine maintenance of 1,032 secondary roads and period maintenance of 132 km of secondary roads were undertaken. Routine maintenance of 3,250 km of tertiary road and period maintenance of 500 km of tertiary road were also completed. Rollout of the first nationwide inventory and condition survey of rural roads has been completed.

## Afghanistan Rural Enterprise Development Project (AREDP)

⇒ IDA GRANT \$28.4 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 \$3.37 million and members have accessed more than 27,000 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.

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 (13 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 *Kochies* (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.



Afghan beekeepers are getting recognition within Afghanistan for the high quality honey they produce. Supported by the Afghanistan Rural Enterprise Development Project, honey producers have learnt to produce, process, and properly package honey as well as to run a business effectively. The program has also helped producers showcase their products in rural industry exhibitions.

## 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. 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 toward



The building of community centers across the country under the National Solidarity Project has been a success. The centers help bring community members together for various activities and provide a space for the Community Development Councils to hold their meetings to discuss development sub-projects.

the sub-projects implemented through NSP.

Specifically under the current phase, some 14,500 new CDCs have been established and over 11,500 councils been re-elected. Together, over 25,700 community development plans have been prepared, and more than 42,700 sub-project proposals designed. About 40,800 of these proposals have been financed with block grants totaling \$922 million, and of these, some 24,600 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 \$2.19 billion, of which some \$1.6 billion have gone to communities through block grants to finance over 87,900 sub-projects. Some 71,800 sub-projects have closed, while the rest is ongoing.

Over 15 million people have benefited from financed sub-projects. NSP has created temporary rural employment by generating over 27 million labor days.

⇒ **For more information:**  
[www.nspafghanistan.org](http://www.nspafghanistan.org)

## Trans-Hindukush Road Connectivity Project

⇒ IDA GRANT \$250 MILLION

The project aims to support GoA's 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 soon.

/ 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 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.

/ 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 55,000 pensioners are registered in the new pension MIS and are paid through bank accounts.

A multi-phased safety net cash transfer pilot has been designed, implemented, and evaluated. A targeting and benefit delivery mechanism has been tested and is being further improved, together with computerized registration.

The pilot program over the past three years has provided support in cash transfers to over 16,000 poor and vulnerable families (around 80,000 individuals) in eight selected districts in five provinces.

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, was officially launched on March 12, 2013. It has received 1,051 applications from small and medium enterprises, and signed cost-sharing grant contracts worth \$10 million with 434 firms and associations. Moreover, FNMD has processed 67 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 155 new or improved products introduced in either domestic or export markets.



**“I can say if it wasn't for the assistance we received from ANMDP, we wouldn't be where we are.”**

—Dr. Farid Ahmad Ejaz, director, Loqman Hakim Hospital

## CAPACITY BUILDING PAYS OFF with first kidney transplant in Afghanistan

- Doctors at a hospital in Herat city carried out the country's first successful kidney transplant after a series of training in the diagnosis and treatment of renal disease.
- The capacity building opportunities were made possible by the Afghanistan New Market Development Project (ANMDP) implemented by the Ministry of Commerce and Industries.
- ANMPD supports small and medium enterprises with access to business development services to enhance their productive capacity and encourage innovation.

A little girl rests on a hospital bed with several tubes attached to her body, one of which is connected to a dialysis machine. On the other side of the room, an old man is also undergoing hemodialysis and connected to a second dialysis machine.

Mohammad Reza, 50, is waiting for his daughter's hemodialysis to finish so she could transfer to another ward of Loqman Hakim Hospital. His daughter was diagnosed with kidney disease three years ago. "I took her to Iran and Pakistan several times, but the treatment was expensive and not successful," says Reza. "I don't need to travel outside the country anymore because this hospital provides very good services at a reasonable price. I hope my daughter continues to be treated here."

Reza has reason to be hopeful that his daughter will be treated successfully as she is at the hospital that performed the first successful kidney transplant in Afghanistan. "For the first time in Afghanistan, we successfully conducted a kidney transplant in Loqman Hakim Hospital in April 2016," says the director, Dr. Farid Ahmad Ejaz, referring to the operation in which a 38-year-old mother donated one of her kidneys to her 13-year-old son.

Loqman Hakim Hospital is a private hospital, which began its services in 2009 with 10 beds and 35 employees. Located in Baagh-e-Azadi in Herat city, the hospital has since expanded to 100 beds and 200 employees. It offers round-the-clock services in several areas, such as general surgery, internal medicine, obstetrics, gynecology, and para-clinical service.

### Support for training

The kidney transplant was performed by Afghan doctors under the supervision of Iranian colleagues. It is the successful outcome of a series of medical tours and trainings in Iran for over 50 doctors from Loqman Hakim Hospital in the diagnosis and treatment of kidney disease, renal operations, and transplants.

Nurses too have been trained to operate the dialysis



machines at the hospital. Farid Ahmad, 24, a trained nurse, has worked at the hospital for three years. "We conduct hemodialysis for eight to 10 patients in the hospital every day," he says. "The dialysis ward of the hospital has improved significantly."

The capacity building opportunities for the hospital staff have been made possible through support by the Afghanistan New Market Development Project (ANMDP) implemented by the Ministry of Commerce and Industries. "I can say if it wasn't for the assistance we received from ANMDP, we wouldn't be where we are," says Dr. Ejaz.

ANMDP, launched in May 2011, is supported by the International Development Association (IDA), the World Bank Group's fund for the poorest countries.

Since starting operations in Herat Province in 2013, ANMDP projects have helped five companies find international markets for their products and 18 companies expand their markets to a national level, while 12 enterprises, including the Loqman Hakim Hospital, have expanded the scope and scale of their services within the province.

## INTERNATIONAL FINANCE CORPORATION

*The International Finance Corporation's 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. Currently, IFC's portfolio stands at about \$80 million and includes two investments in the telecommunication sector (MTN—a joint project with MIGA— and Roshan), one investment in the hotel sector (TPS), and two operations in financial markets (First Microfinance Bank, Afghanistan International Bank—trade facility).

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 enterprise 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.

IFC has two primary interventions aimed at reforming the business regulatory environment. The first is an ongoing engagement with the Kabul Municipality reforming the construction permit process. The second is the newly funded Afghanistan Investment Climate Reform Program (funded by USAID), implemented by IFC teams as part of the World Bank Group Trade and Competitiveness Global Practice. The program has three components, which were launched in the fiscal year: Licensing Reform Phase 2, Subnational Doing Business Survey, and a new Doing Business Reform project.



## AFGHANISTAN RECONSTRUCTION TRUST FUND

*The Afghanistan Reconstruction Trust Fund (ARTF) was established in 2002 to provide a coordinated financing mechanism for the GoA's budget and national investment projects. Since its inception, 34 donors have contributed over \$9.2 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 'prefer' 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 \$4 BILLION

To date, ARTF has disbursed \$4 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

## THE AFGHANISTAN RECONSTRUCTION TRUST FUND

The objectives of ARTF are:

- 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.
- The ARTF's support of the government's priority programs, policy reform agenda, and the non-security operating costs of government operations contributes to the achievement of Afghanistan's national strategic goals.



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. Decentralized and national rural development programs, such as NSP, rural roads, and education have been strongly supported by ARTF.

As of August 21, 2016, there are 20 projects active under ARTF with a total commitment value of \$3.1 billion, of which \$2.1 billion have been disbursed and the net undisbursed amount is \$956 million.

⇒ Full details of investment activities are provided in the ARTF Annual Scorecard: [www.artf.af](http://www.artf.af)

## / ONGOING PROJECTS

## 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.

During its second semester of implementation, AAIP completed the expansion of its technical teams at central and regional levels, thus finalizing necessary arrangements to provide increased assistance for improved quality and delivery of production inputs to the agricultural sector.

AAIP is providing technical and financial support to MAIL and its relevant directorates in the production of breeder, foundation, and certified wheat seeds, based on improved



A farm employee working at one of the most important research farms in northern Afghanistan. The farm produces breeder seeds that will result in disease-resistant crops with higher yields that are suitable for local growing conditions. Supported by the Afghanistan Agricultural Inputs Project, the work of this and other research farms will see the improvement of quality seed production and release of new wheat varieties.

production practices. It is also supporting MAIL's research activities at central and regional level.

Under the project, a survey and designs for the establishment of 13 laboratory complexes for the Plant Protection and Quarantine Directorate and designs for 10 border quarantine stations have been completed.

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, the project also provided in-country training for 313 staff members of the Agriculture Research Institute of Afghanistan (ARIA), Improved Seeds Enterprise Plant Protection, and Quarantine Directorate. The international training, including master's and PhD programs, for the Ministry's target staff are in progress.

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 on the agricultural input delivery system 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

Agro-meteorological stations across Afghanistan are providing farmers vital information on climatic and soil conditions, enabling them to grow their crops more effectively. Recently installed stations, supported by the On-Farm Water Management Project, use an automated system to provide more reliable, timely information. “The weather updates are really helpful to us throughout the year for sowing, fertilizing, irrigation, and harvesting of crops,” says a farmer.



## 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 of the components and sub-components: 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 con-

tracted. Civil service reform in the Attorney General's Office for administrative 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 printed and distributed to relevant stakeholders. Five legal libraries have been opened by the Supreme Court and Attorney General's Office.

## 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 crops 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 *Mirab* system and

have taken up the responsibilities for operation and maintenance.

In 2015, the ARTF Management Committee at the request of GoA 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).

## 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, Charikar, 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 Charikar, 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, extending it to May 31, 2017, and an additional financing of \$15 million to allow completion of project activities.

## 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.

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.

## Central Asia South Asia-1000 Community Support Program (CASA-CSP)

GRANT \$40 MILLION

The project aims to provide access to electricity or other social and economic infrastructure services to communities in the project area in order to strengthen community support for the CASA-1000 transmission line. The project consists of four components.

The first component, community grants for sub-projects will provide grants directly to communities to fund economic infrastructure sub-projects. Preference will be given to power sector sub-projects. The second component, community mobilization aims to engage communities to increase the shared prosperity associated with the CASA-1000 transmission line, which will pass through villages, by facilitating community participation in sub-project planning, implementation, and operations and maintenance.

The third component is project implementation support. It comprises a sub-component, third party monitoring (TPM). The fourth component, communications and outreach will finance a strong communications campaign and information-sharing activities directed to relevant stakeholders within the provinces with a special emphasis on outreach to communities in the project areas.

Work under CASA-CSP will begin once the CASA-1000 project is operational. Once implementation begins, CSP is expected to benefit communities that live along a two-kilometer 'Corridor of Influence' (COI) on



The Citizens' Charter Afghanistan Project, launched on 25 September, 2016, saw the signing of a Financing Agreement for an ARTF grant between the Ministry of Finance and the World Bank, as ARTF administrator. President of the Islamic Republic of Afghanistan, Mohammad Ashraf Ghani (standing right), and Chief Executive, Abdullah Abdullah, witnessed the signing between Minister of Finance, Eklil Ahmad Hakimi, and World Bank Country Director, Robert Saum.

either side of the CASA-1000 transmission line. It is expected that there will be approximately 700 communities spread over 23 districts in six provinces, with a total of over 152,000 families along the corridor of influence. Given the terrain along the COI, as well as the unique nature of community mobilization in high-risk areas, there will be some flexibility to work with more communities outside of the COI.

**KEY RESULTS EXPECTED UNDER THE FIRST PHASE OF THE CCAP**



**8.5 MILLION PEOPLE** reached through the Citizens' Charter first phase.



**3.4 MILLION PEOPLE** gain access to **CLEAN DRINKING WATER.**



Improvements to quality of **SERVICE DELIVERY IN HEALTH, EDUCATION, RURAL ROADS, AND ELECTRIFICATION.**



Increase in **CITIZEN SATISFACTION** and trust in government.



**35 PERCENT RETURN ON INVESTMENT** for infrastructure projects.

**Citizens' Charter Afghanistan Project (CCAP)**

ARTF GRANT \$400 MILLION  
IDA GRANT \$100 MILLION  
GOVERNMENT OF AFGHANISTAN \$128 MILLION

The Citizens' Charter Afghanistan Project is expected to be implemented over a period of four years. The project will support the first phase of the Government of Afghanistan's 10-year Citizens' Charter National Program, and will target one third of the country.

The objective of the CCAP is to improve the delivery of core infrastructure and social services to participating communities through strengthened Community Development Councils. These services are part of a minimum service standards package that the government is committed to delivering to the citizens of Afghanistan.

The CCAP aims to contribute to the government's long-term goals of reducing poverty and deepening the relationship between citizens and the state. The \$100 million IDA grant is expected to be presented for World Bank Board approval on October 27, 2016.

**DABS Planning and Capacity Support**

GRANT \$6 MILLION

The Da Afghanistan Breshna Sherkat (DABS) Planning and Capacity Support Project aims to improve DABS capacity in distribution investment planning, implementation, and operation and maintenance.

This project has two components:  
**Component 1:** Staff capacity building, which aims to support DABS capacity to plan and implement new investments in distribution systems and to operate and maintain the investments properly.

**Component 2:** Development of a training center in Kabul. Currently DABS does not have any training facility for its staff, and this has been identified as a critical gap in its overall capacity building efforts.

The grant was approved in February 2016



and the project took effect in March 2016. Due to advance procurement, the project is well on track in its implementation.

**Higher Education Development Project**

GRANT \$50 MILLION

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.

Women will benefit under the Higher Education Development Project, which aims to increase access to higher education in Afghanistan, as well as improve its quality and relevance. Under the first year of implementation, one-third of the scholarships awarded went to female academics.

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 disbursement-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 outcome-based education and student-centered learning; and awarding 30 individual and group research projects of faculty members from public universities.

## Kabul Municipal Development Program (KMDP)

GRANT \$110 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 Financial Management System to support better service delivery; and (iii) enable early response in the event of an eligible emergency.

The project is expected to deliver welfare and human development benefits to over 700,000 people through services provided in some 1,800 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, \$28.29 million have been disbursed. Over 445,000 people (about 73 percent women and children) have benefited from the construction of 160 kilometers of neighborhood roads, 224 kilometers of community drains, and 13.17 kilometers trunk roads.

43,727 person months of temporary employment has been generated through the execution of labor intensive works contracts at an investment of \$514/person month. Durable infrastructure will generate secondary employment in the years

ahead. Importantly, KMDP has established a strong foundation exists for gender inclusive community participation in decision making over public expenditures in *Guzars* (neighborhoods).

## 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 knowledge support will gradually transform Kabul Municipality into a modern planning and implementing agency by adopting best international practice. Kabul Municipality will be responsible for implementation of the project, including procurement and financial management.

Progress toward 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 the four International Competitive Bidding civil works contracts (Lot-5 and Lot-6) has



For years, residents of a Kabul city neighborhood lived in unpaved, muddy, dusty, and narrow streets. Their lives have been greatly transformed as a result of improved street conditions, including a proper drainage system, brought about by the Kabul Municipal Development Program. "No one was attracted to our neighborhood because of the roads," says a resident, "now all our friends envy our clean, paved streets."

been completed and the contracts are ready for award. 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. The terms of reference for the soft studies under Component B have been prepared and sent to the World Bank for review.

## 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.

The project became effective on January 24, 2016, after the signing of the Grant Agreement. The main contractor for the rehabilitation of the plant undertook the first site visit in August 2016 and is expected to commence work soon. Key specialists from the Environment and Social Advisory Panel (ESAP) and the Project Technical Advisory Panel (PTAP) are on board. They are contributing to enhance the quality of the work and services under the project.

Furthermore, bidding for contracts that are to provide electricity access for communities close to the hydropower plant is underway, and the establishment of a training center to enhance local employment opportunities is also envisaged.

## National Horticulture and Livestock Project (NHLP)

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 23 target provinces. Based on the high demand for NHLP 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 September 2016, the project has financed the establishment of 7,886 hectares (ha) of new orchards, almost on project target, with 34 percent in new provinces. In addition, over 70,000 ha of orchards have been rehabilitated, more than quadrupling the target of 6,000. Moreover, demand from target beneficiaries for kitchen gardening support has been very high, and the entire annual program was amply exceeded (58,116 schemes against a target of 20,000).

Further, NHLP continues to introduce innovative lines of investment support. It has successfully introduced production techniques to, inter alia, extend the production period of vegetables 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 integrated nutrient practices, while the spot irrigation method was implemented in 823 ha of land, and a total of 358 drying houses to improve production and quality of raisins was constructed. The survey for construction of 620 raisin drying houses and 500 water harvesting structures has just been completed. The construction work is expected to be completed by end of 2016.

Regarding improved livestock production, NHLP is supporting MAIL compliance with its Sanitary Mandate (SM). It is doing so by supporting improved Extension and Veterinary



Children walking down a road under construction in Kabul city carried out by the Kabul Urban Transport Efficiency Improvement Project. The completed road will help improve traffic flow in a city of nearly 700,000 vehicles.

Services delivery through private Veterinary Field Units (VFUs), and through establishment of an Animal Health Sanitary Mandate Contracting Scheme (AHSCS). NHLP conducted SM training for 168 VFUs and 76 Provincial Veterinary Officers. On the production side, the delivery so far of extension messages has been carried out along with distribution of improved technology packages to 58,800 beneficiaries in 138 districts in 19 provinces.

The establishment of AHSCS initially focused on a brucellosis control program in 360 districts of 34 provinces. Through this program, 1.2 million young cattle and 4 million young sheep and goats have already been vaccinated.



**“ In a few years, the horticultural harvest will form a big portion of people’s produce in this province. It will make significant contribution to people’s economic empowerment. ”**

—Mahdi Seerat, NHLP provincial coordinator, Bamyan Province

## HORTICULTURE PROVIDES *alternative livelihood to farmers*

- Horticulture is providing a better source of income for farmers in Bamyan Province and helping them to improve their livelihood.
- The National Horticulture and Livestock Project (NHLP), under the Ministry of Agriculture, Irrigation and Livestock, is assisting farmers establish new orchards and manage existing ones with improved technologies and practices in 23 target provinces.
- The project, supported by the Afghanistan Reconstruction Trust Fund (ARTF), aims to increase productivity and overall production of horticultural products.

Zamin Ali, 24, is irrigating his brother’s orchard under the strong sunshine, moving from one sapling to another with a hose in his hand. The orchard, in Dasht-e-Brosna village on the outskirts of Bamyan city, is full of apple, peach, plum, and apricot saplings.

The only water source near the orchard is a well from which Zamin draws water three times a week to irrigate the trees. Until recently, Zamin used a small generator to draw water from the well, but he now does it with the help of a solar water pump. The only source of energy needed is sunshine.

Prior to receiving the solar water pump, irrigation was frequently accompanied by problems, including the generator’s technical defects and failures. “Having a reliable source of irrigation has helped us significantly increase our harvest and improve our livelihood,” says Zamin.

The costs associated with both fueling and repairing the generator were a significant obstacle to Zamin’s vision to have a sustainable source of income from horticulture. He and his brother, Jawad Ali, have been growing fruits for the past four years.

Zamin’s goal to earn a living from horticulture came a step closer to fruition when they were able to replace the generator with the solar water pump with the assistance of the National Horticulture and Livestock Project (NHLP). The brothers contributed 25 percent of the pump’s cost. Each solar water pump set includes 10 solar panels, a solar pole, an electric inverter, and a bore pump. The brothers also had received fruit saplings from NHLP that helped enhance their productivity.

NHLP, implemented by the Ministry of Agriculture, Irrigation and Livestock (MAIL), has established or supported orchards and vineyards across the country, using modern horticultural methods

### Introduce new fruit varieties

Agriculture and horticulture are the main sources of income for many in Afghanistan. These means of livelihood



are particularly important in Bamyan, a poverty-ridden province where other sources of income are minimal because of its geographic position and landscape.

NHLP has been operating in four districts —Markaz, Yakawolang, Saighan, and Waras—in Bamyan Province since 2013. Mahdi Seerat, NHLP provincial coordinator in Bamyan Province, explains that the project assists farmers to improve their livelihood by encouraging horticulture. “In addition to other agricultural crops, we try to create an alternative, horticulture, for Bamyan farmers so as to increase their incomes and introduce them to new fruit varieties,” he says.

NHLP provides farmers with the varieties of fruit saplings that are compatible to the climate of the province—a crucial factor in enhancing productivity. “In a few years, the horticultural harvest will form a big portion of people’s produce in this province. It will make significant contribution to the people’s economic empowerment,” says Mahdi Seerat.



## Non-formal Approach to Training Education and Jobs in Afghanistan Project (NATEJA)

GRANT \$15 MILLION

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 40,000 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

Some 8.5 million children are enrolled in schools throughout Afghanistan, of whom 3.3 million (39 percent) are girls. The Second Education Quality Improvement Program aims to increase equitable access to quality basic education, especially for girls. Under the program, many schools across the country have been awarded grants to improve their infrastructure and facilities.

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 that has been implemented in six provinces (Herat, Bamyan, Farah, Balkh, Kabul, and Nangarhar) to establish the causal impacts of project interventions and how to scale up successful interventions. The baseline survey data collection is underway and will be followed by midline and endline surveys to measure the respective impacts of the business grant program on job creation, earnings, and skills acquired. Significant progress has been made in the development of a comprehensive MIS, 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.

Activities around the business grant is un-

derway 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 will be released, from which the first batch of 1,260 beneficiaries will be chosen by lottery.

The information provided by the beneficiaries will be thoroughly verified to ensure that the right applicants are enrolled into the program to start a new small scale enterprise or expand their existing micro-enterprise with the \$500 grant. The grant applications (41 percent female participation) are being vetted by a broad range of people to ensure transparency.

## Second Education Quality Improvement Program (EQUIP II)

GRANT \$408 MILLION

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. EQUIP was originally supported by the International Development Association, the World Bank Group's fund for the poorest countries.

As of September 2016, EQUIP II has supported the construction of 1,033 schools and teacher training colleges (TTCs). According to the Education Management Information System, 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

14,432 communities, resulting in the establishment of an equal number of school shuras (community-based consultative bodies). Under EQUIP II, 16,588 schools have received Quality Enhancement Grants for purchase of school supplies, laboratory equipment, and other purposes.

In addition, 154,699 teachers have been trained under the In-Service Teacher Training (INSET) courses 1-5, of whom 35 percent are women. At the same time, 17,184 school principals and administrators have been trained in School Management Training (SMTs 1-6), about 20 percent of whom are women. Moreover, 11,436 women have received scholarships and graduated from TTCs, and 5,166 female teachers received a scholarship in 2013-2014.

## Second Public Financial Management Reform Project

GRANT \$114.1 MILLION

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

Project components include:

**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.

The project will strengthen the institutional development of NPA by providing support in its establishment, structures, systems, processes and procedures, and implementation strategy.

**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.

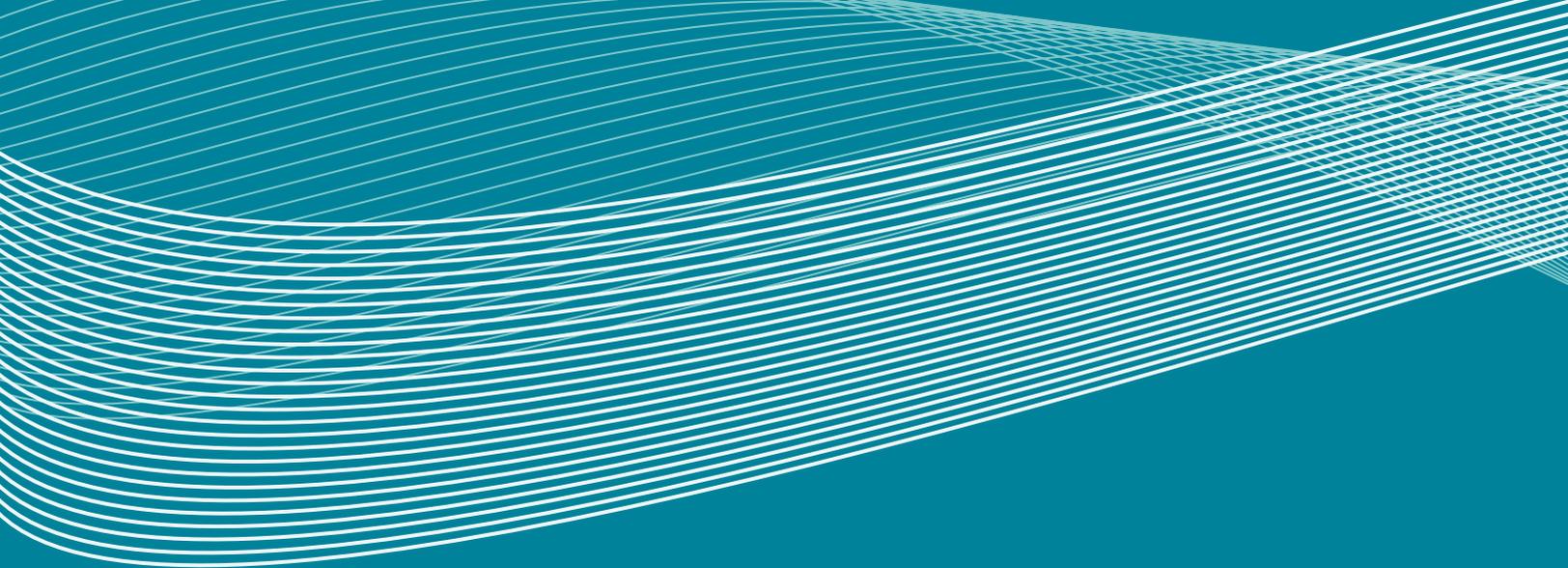
**Reform Management:** To support MoF by establishing a structure and job descriptions, providing training for staff in the monitoring and evaluation department, and revising MoF's existing monitoring and evalu-

ation 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.

**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 Mustofiats 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 concessional lending arm.



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