

# AFGHANISTAN RECONSTRUCTION TRUST FUND



End of Year Report  
June 21, 2016 to December 20, 2016



ARTF

# ARTF DONORS



PREPARED BY THE ARTF ADMINISTRATOR

Photos by Rumi Consultancy and the World Bank



## ACKNOWLEDGEMENTS

*The Afghanistan Reconstruction Trust Fund (ARTF) Mid-Year Report is published annually by the ARTF Administrator on behalf of the World Bank as the Administrator of the Trust Fund. This report is prepared by a core team comprising: Wezi Msisha (ARTF Coordinator) and Muhammad Wali Ahmadzai (Operations Officer), Parwana Wawreena Nasiri.*

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# **END OF YEAR REPORT**

June 21, 2016 to December 20, 2016

**Afghanistan Reconstruction Trust Fund (ARTF)**

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| FISCAL YEAR | PERIOD                                |
|-------------|---------------------------------------|
|             | SY1381                                |
| SY1382      | march 21, 2003 - march 19, 2004       |
| SY1383      | march 20, 2004 - march 20, 2005       |
| SY1384      | march 21, 2005 - march 20, 2006       |
| SY1385      | march 21, 2006 - march 20, 2007       |
| SY1386      | march 21, 2007 - march 20, 2008       |
| SY1387      | march 20, 2008 - march 20, 2009       |
| SY1388      | march 21, 2009 - march 20, 2010       |
| SY1389      | march 21, 2010 - march 20, 2011       |
| SY1390      | march 21, 2011 - march 20, 2012       |
| SY1391      | march 21, 2012 - december 20, 2012    |
| FY1392      | december 21, 2012 - december 21, 2013 |
| FY1393      | december 22, 2013 - december 21, 2014 |
| FY1394      | december 22, 2014 - december 21, 2015 |
| FY1395      | december 22, 2015 - december 20, 2016 |

## CURRENCY EQUIVALENT

CURRENCY UNIT = AFGHANI (AFN)

**US\$ 1 = 67 AFN**

GOVERNMENT'S FISCAL YEAR (FY1394)

EFFECTIVE DECEMBER 21, 2016

# ABBREVIATIONS AND ACRONYMS

---

|         |  |
|---------|--|
| ACBR    | AFGHANISTAN CENTRAL BUSINESS REGISTRY                    |
| ACD     | AFGHANISTAN CUSTOMS DEPARTMENT                           |
| AFMIS   | AFGHANISTAN FINANCIAL MANAGEMENT INFORMATION SYSTEM      |
| AFN     | AFGHANI (LOCAL CURRENCY OF AFGHANISTAN)                  |
| AHP     | AD HOC PAYMENTS  |
| AISA    | AFGHANISTAN INVESTMENT SUPPORT AGENCY                    |
| ANPDF   | AFGHANISTAN NATIONAL PEACE AND DEVELOPMENT FRAMEWORK     |
| APS     | AFGHANISTAN PAYMENTS SYSTEM                              |
| APSDP   | AFGHANISTAN POWER SYSTEM DEVELOPMENT PROJECT             |
| ARAP    | AFGHANISTAN RURAL ACCESS PROJECT                         |
| ARAZI   | AFGHANISTAN INDEPENDENT LAND AUTHORITY                   |
| ARD     | AFGHANISTAN REVENUE DEPARTMENT                           |
| ARTF    | AFGHANISTAN RECONSTRUCTION TRUST FUND                    |
| ATF     | AUTOMATED TRANSFER SYSTEM                                |
| CCAP    | CITIZENS' CHARTER AFGHANISTAN PROJECT                    |
| CCNP    | CITIZENS' CHARTER NATIONAL PRIORITY PROGRAM              |
| DAB     | DA AFGHANISTAN BANK                                      |
| EC      | EUROPEAN COMMISSION                                      |
| ECF     | EXTENDED CREDIT FACILITY                                 |
| EQUIP   | EDUCATION QUALITY IMPROVEMENT PROGRAM                    |
| ESMP    | ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN                 |
| EU      | EUROPEAN UNION   |
| FS      | FINANCING STRATEGY                                       |
| FY      | FISCAL YEAR  |
| GDP     | GROSS DOMESTIC PRODUCT                                   |
| HR      | HUMAN RESOURCES  |
| IDA     | INTERNATIONAL DEVELOPMENT ASSOCIATION                    |
| IDP     | INTERNALLY DISPLACED PERSON                              |
| IMF     | INTERNATIONAL MONETARY FUND                              |
| INSET   | IN-SERVICE TRAINING                                      |
| INTOSAI | INTERNATIONAL ORGANIZATION OF SUPREME AUDIT INSTITUTIONS |
| IP      | INCENTIVE PROGRAM  |
| IRDP    | IRRIGATION RESTORATION AND DEVELOPMENT PROJECT           |
| ISD     | INFRASTRUCTURE SERVICE DEPARTMENT                        |
| MA      | MONITORING AGENT   |
| MAIL    | MINISTRY OF AGRICULTURE, IRRIGATION AND LIVESTOCK        |
| MEW     | MINISTRY OF ENERGY AND WATER                             |
| MCG     | MAINTENANCE CASH GRANT                                   |
| MIS     | MANAGEMENT INFORMATION SYSTEM                            |
| MOCI    | MINISTRY OF COMMERCE AND INDUSTRIES                      |
| MOE     | MINISTRY OF EDUCATION                                    |
| MOF     | MINISTRY OF FINANCE                                      |
| MOLSAMD | MINISTRY OF LABOR, SOCIAL AFFAIRS, MARTYRS AND DISABLED  |
| MOPW    | MINISTRY OF PUBLIC WORKS                                 |
| MRRD    | MINISTRY OF RURAL REHABILITATION AND DEVELOPMENT         |
| NSP     | NATIONAL SOLIDARITY PROGRAMME                            |
| O&M     | OPERATIONS AND MAINTENANCE                               |
| OFWMP   | ON-FARM WATER MANAGEMENT PROJECT                         |
| PFMR II | SECOND PUBLIC FINANCIAL MANAGEMENT REFORM PROGRAM        |
| PMU     | PROVINCIAL MANAGEMENT UNITS                              |
| PPG     | PROJECT PREPARATION GRANT                                |
| RAP     | RESEARCH AND ANALYSIS PROGRAM                            |
| RCW     | RECURRENT COST WINDOW                                    |
| RMG     | REVENUE MATCHING GRANT                                   |
| SA      | SUPERVISORY AGENT  |
| SAO     | SUPREME AUDIT OFFICE                                     |
| SEHAT   | SYSTEM ENHANCEMENT FOR HEALTH ACTION IN TRANSITION       |
| SIGTAS  | STANDARD INTEGRATED GOVERNMENT TAX ADMINISTRATION SYSTEM |
| SMP     | STAFF MONITORED PROGRAM                                  |
| TOR     | TERMS OF REFERENCE                                       |
| TPM     | THIRD PARTY MONITORING                                   |
| TTC     | TEACHER TRAINING COLLEGE                                 |
| UNDP    | UNITED NATIONS DEVELOPMENT PROGRAMME                     |

# FY 1395 END OF YEAR SUMMARY

The first section of this report provides an update on the Afghanistan Reconstruction Trust Fund’s (ARTF) financial activities for the last six months of the Fiscal Year (FY) 1395 (June 21, 2016 to December 20, 2016). The latest financial developments under the ARTF are also included in this section.

## DONOR PLEDGES AND CONTRIBUTIONS

AS OF DECEMBER 20, 2016, 34 donors had pledged a total of \$9.97 billion to the ARTF, of which \$9.50 billion has been paid in. Total donor pledges for FY 1395, including pledges under the Ad Hoc Payments (AHP) facility, amounted to \$1.38 billion, of which \$917.9 million has been paid in. Of the total donor pledges, \$592.46 million (51 percent) is without preference and \$572.69 million (49 percent) is preferred, going mainly toward the National Horticulture and Livestock Proj-

ect, National Solidarity Programme (NSP), and the System Enhancement for Health in Transition Project (SEHAT). Under the AHP facility under the Recurrent Cost Window (RCW), \$223.89 million has been pledged in funding.

A total of 17 donors have contributed funds in FY 1395, with the following as top contributors: United States, United Kingdom, European Commission, Germany, Sweden, and Japan. Together they accounted for

82 percent of donor funds. The total paid-in amount in the last six months of FY 1395 amounted to \$400 million, which was lower compared to the first six months of the year. Of the total paid-in funds during FY 1395, \$180.66 million was preferred and paid in toward the AHP facility, leaving a total of \$737.26 million to support the core ARTF program as outlined in the FY1394–1396 Financing Strategy (FS) (Figure 1).

FIGURE 1: ARTF CONTRIBUTIONS WITH PREFERENCE (\$ MILLION)

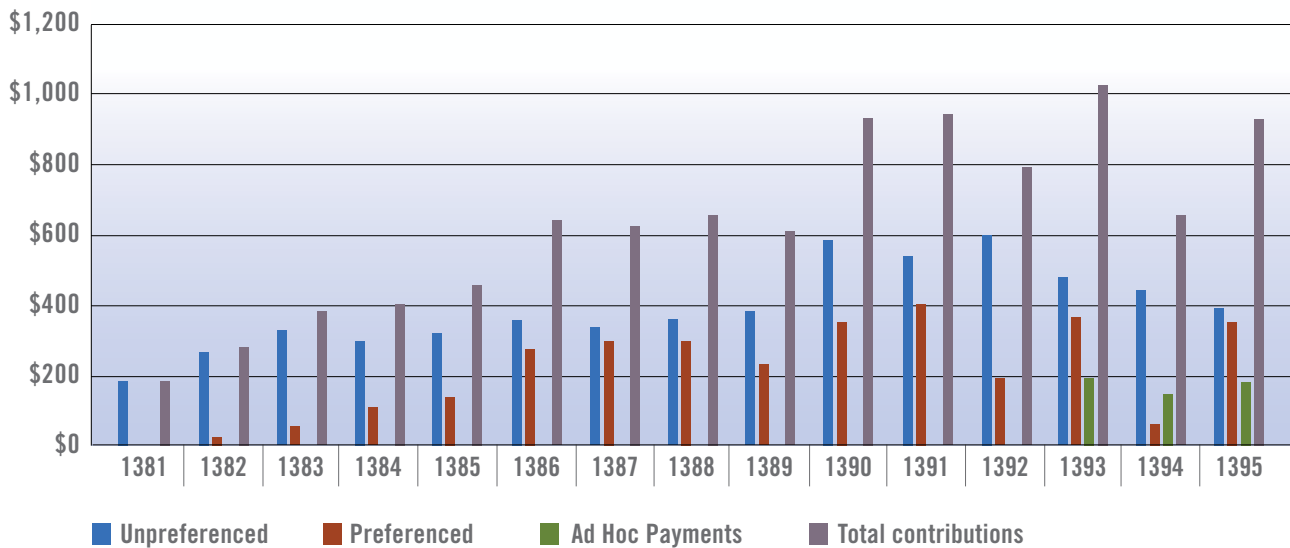
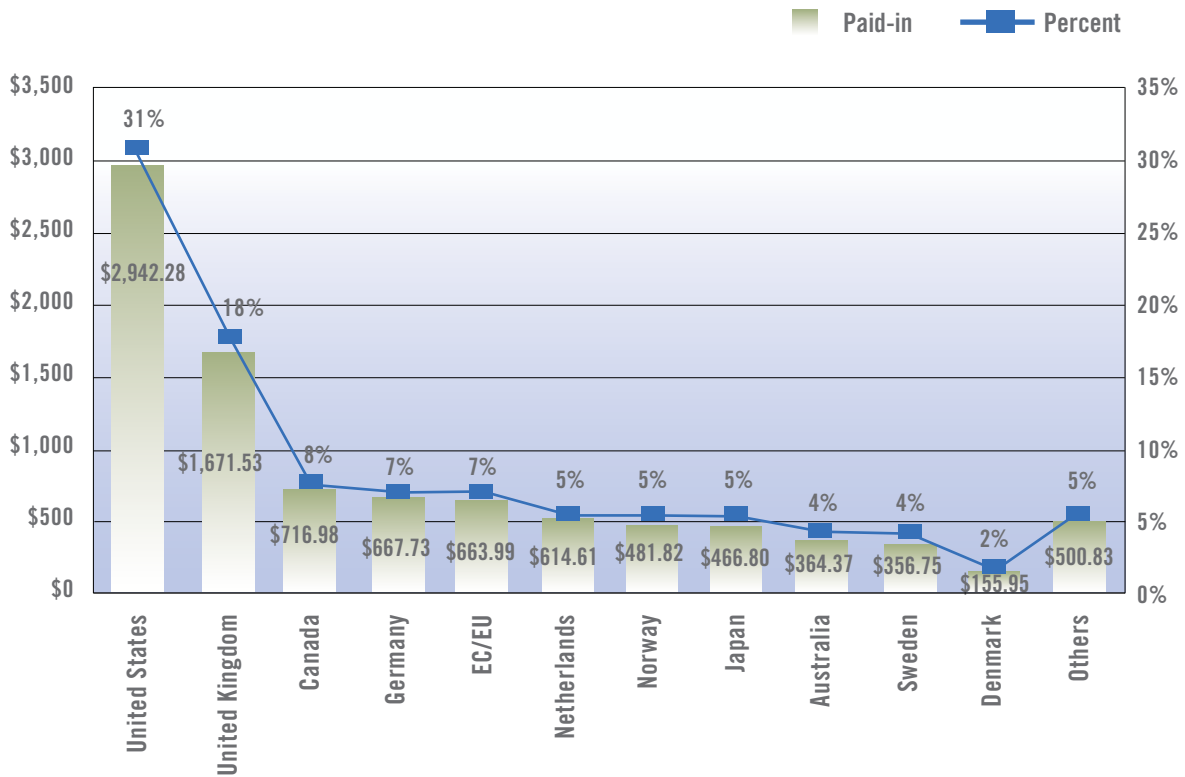




FIGURE 2: ARTF TOP CONTRIBUTORS (\$ MILLION)



Among the 34 donors that have contributed to the ARTF since its inception, 17 donors continue to contribute on a regular basis. The largest eleven donors account for more than 94 percent of the total paid-in contributions to the ARTF since 2002 (Figure 2). With the ARTF allowing for donors to

preference up to a maximum of 50 percent of their annual contributions, a total of 40 percent, or \$3.83 billion, of the total contributions received to date has been preferred, while the remaining 60 percent, or \$5.66 billion, is unpreferred. The preferred contributions also include \$511 million for AHP,

paid in since 2014. The majority of preferences went toward investment projects in the rural development, education, health, and governance sectors, as well as preferences to the AHP facility.



## COMMITMENTS: RECURRENT COST WINDOW, INVESTMENT WINDOW, AND RESEARCH AND ANALYSIS PROGRAM

### RECURRENT COST WINDOW

**THE ARTF FINANCING STRATEGY** for FY 1394 – FY 1396 set \$400 million as the annual ceiling for the RCW. The ceiling is made up of baseline financing and the Incentive Program (IP). In FY 1395, the baseline financing reduced to \$100 million, and this will further decrease by \$25 million in FY 1396, resulting in an increased size of the IP.

In addition, the AHP facility continues to make use of the RCW to channel funds

toward the government's operating budget. The size and amount of AHP contributions is based on agreements between the respective bilateral donors and the Ministry of Finance (MoF), to which the World Bank is not privy. However, AHP contributions are still subject to the same fiduciary controls and monitoring arrangements as the other components of the RCW.

As of December 20, 2016, a total of \$179.16 million has been disbursed in the second half of FY 1395 under the RCW,

which consists of two quarterly tranches of baseline recurrent cost financing (\$50 million), AHP of \$45.66 million, and \$83.50 million, following government achievement of FY 1394 and FY 1395 IP benchmarks.

**TABLE 1: RECURRENT COST WINDOW STRUCTURE, FY 1394 – FY 1396**

|                   | FY 1394<br>(\$ million) | FY 1395<br>(\$ million) | FY 1396<br>(\$ million) | TOTAL<br>(\$ million) |
|-------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Baseline          | 125                     | 100                     | 75                      | 300                   |
| Incentive Program | 275                     | 300                     | 325                     | 900                   |
| <b>TOTAL</b>      | <b>400</b>              | <b>400</b>              | <b>400</b>              | <b>1,200</b>          |

**TABLE 2: RECURRENT COST WINDOW DISBURSEMENTS, FY 1394 – FY 1395  
(\$ MILLION)**

| COMPONENT         | FY 1394       | FY 1395       |
|-------------------|---------------|---------------|
| Baseline          | 125.00        | 100.00        |
| O&M               | 33.60         | 0.00          |
| Incentive Program | 93.60         | 244.20        |
| Ad Hoc Payments   | 183.49        | 125.66        |
| <b>TOTAL</b>      | <b>435.69</b> | <b>469.86</b> |

## INVESTMENT WINDOW

**DURING THE LAST SIX MONTHS** of FY 1395, the actual allocations to investment projects totaled \$239.81 million. These allocations

included one new project, Afghanistan Technical Assistance Facility, three Project Preparation Grants (PPGs), and additional financing to the four ongoing projects as listed in Table 3.

**TABLE 3: FUNDING ALLOCATIONS FOR INVESTMENT PROJECTS IN FY 1395**

| NO.          | TRUST FUND NUMBER | PROJECT DESCRIPTION  | FUNDS ALLOCATED (\$ million) |
|--------------|-------------------|--|------------------------------|
| 1            | TF012029          | Irrigation Restoration and Development Project             | 70.00                        |
| 2            | TF013820          | National Horticulture and Livestock Project                | 90.00                        |
| 3            | TF098459          | Third Emergency National Solidarity Project                | 57.26                        |
| 4            | TFOA1898          | Support to the Afghanistan Independent Law Authority - PPG | 4.95                         |
| 5            | TFOA2839          | Afghanistan Technical Assistance Facility                  | 5.00                         |
| 6            | TFOA2907          | Digital CASA Afghanistan Project - PPG                     | 5.00                         |
| 7            | TFOA3425          | Urban Development Support Program (UDSP) - PPG             | 2.90                         |
| 8            | TFOA3502          | AF: AREDP Additional Financing                             | 4.70                         |
| <b>TOTAL</b> |                   |  | <b>239.81</b>                |



## RESEARCH AND ANALYSIS PROGRAM

A TOTAL OF \$6 MILLION was allocated to the Research and Analysis Program (RAP) in the FY 1394 – FY 1396 ARTF FS. The RAP aims to facilitate and promote evidence-based policy research and knowledge consolidation through project-based and se-

lected sector-wide/thematic research and impact evaluation.

As of December 20, 2016, a total of \$4.88 million has been allocated to 17 studies, of which \$1.51 million has been disbursed (Table 4). Most of the studies are multi-year in nature with expected completion dates between 2017 and 2019. The analytic work covers various sectors and is-

sues, including transport, education, trade and competitiveness, women’s economic empowerment, climate change impacts on agriculture, and forced displacement.

Only one study—Service Delivery Mapping—has been completed so far with several others expected to be completed by mid to end 2017. The study report is available on the ARTF website: [www.artf.af](http://www.artf.af).

TABLE 4: APPROVED RAP STUDIES AS OF DECEMBER 2016

| NAME OF STUDY |   | ALLOCATIONS (\$)    | DISBURSEMENTS (\$)  |
|---------------|---|---------------------|---------------------|
| TF0A1550      | Service Delivery Mapping  | 39,272.74           | 39,272.74           |
| TF0A1606      | Long-Term National Pension Strategy with Special Attention to the Needs of Security Forces Personnel in Afghanistan | 50,000.00           | 40,154.49           |
| TF0A1607      | Realizing the Benefits of International Labor Mobility for Afghanistan  | 350,000.00          | 220,473.66          |
| TF0A2097      | Climate Change Analysis of Hydrology and Agriculture for Afghanistan  | 250,000.00          | 53,368.11           |
| TF0A2165      | Labor Market Study in Afghanistan   | 50,000.00           | 1,221.50            |
| TF0A2182      | AFG Fiscal Policy and Management PA   | 680,000.00          | 45,234.33           |
| TF0A2183      | AFG: Navigating Risk and Uncertainty PA   | 1,400,000.00        | 425,475.64          |
| TF0A2198      | Education and Skills Programmatic ASA   | 420,000.00          | 16,469.96           |
| TF0A2199      | Economic Empowerment in Afghanistan   | 150,000.00          | 97,670.66           |
| TF0A2262      | Afghanistan Corporate Governance of State-Owned Enterprises (SOE)   | 50,000.00           | 20,320.05           |
| TF0A2263      | Afghanistan: Trade and Regional Integration   | 250,000.00          | 192,428.90          |
| TF0A2264      | Afghanistan: Optimizing Health Service Delivery Choices   | 300,000.00          | 74,618.23           |
| TF0A2265      | Review and Rethink Transport Infrastructure   | 200,000.00          | -                   |
| TF0A2347      | Afghanistan Financial Sector Regulatory and Governance Diagnostics  | 250,000.00          | 151,947.29          |
| TF0A2416      | Afghanistan Agribusiness Study  | 200,000.00          | 122,174.59          |
| TF0A3799      | Poverty Monitoring in Afghanistan: Remote Sensing for Poverty Predication   | 50,000.00           | 4,788.00            |
| TF0A3810      | Supporting Afghanistan’s Displaced Population   | 200,000.00          | 6,664.55            |
| <b>TOTAL</b>  |   | <b>4,889,272.74</b> | <b>1,512,282.70</b> |





## ARTF DISBURSEMENTS

**AS OF DECEMBER 20, 2016**, the total disbursements under the ARTF in FY 1395 stand at \$886.73 million, which include

\$401.98 million under the Investment Window, \$469.86 million under the Recurrent Cost Window, \$13.37 million disbursed to

the Monitoring and Supervisory Agents, and \$1.51 million disbursed under the RAP.

## CASH BALANCE

**ARTF ENTERED FY1395** with an unallocated cash balance of \$353 million carried over from FY 1394, and an allocated cash balance of \$1.12 billion. By December 20, 2016, the fund had an unallocated cash balance of \$486.91 million and an allocated/committed cash balance of \$1 billion.

By December 20, 2016, the cash balance stood at \$1,502.70 million comprising:

- (a) \$51.88 million in the Recurrent Cost Trust Fund (excluding \$50 million in the designated Account);
- (b) \$890.45 million combined undisbursed balance of the ARTF active investment portfolio;
- (c) \$3.38 combined undisbursed balance of the Research and Analysis Program; and
- (d) \$20.08 million reserved for the Monitoring and Supervisory Agents, leaving a net unallocated cash balance of \$486.91 million, which will be allocated/committed in the final year of the current ARTF FS.

**THE ALLOCATED CASH BALANCE** is at a slightly lower level as compared to the previous two years. It consists of funds committed, but not yet disbursed to projects and grants under the RCW, the Investment Window, the Monitoring and Supervisory Agents contract, and the RAP. Funds allocated through the RCW disburse very quickly and, therefore, do not usually result in a long-lasting expansion in the allocated cash balance.

The Investment Window, however, funds investment programs that often have an implementation period of 3–5 years on average, meaning that the funds allocated to these activities will take some time to disburse over the project lives. Given that disbursements lag commitments due to the multi-year nature of investment projects, the increase in the Investment Window therefore drives up the allocated cash balance.

**THE UNALLOCATED CASH BALANCE** allows funding of new investment and recurrent cost expenditures. Several investment projects requested by the government in support of its new national priority programs are expected to be financed over the final year of the FS. It is critical that the ARTF receives all donor contributions as pledged to be able to fund the government's requests as agreed in the FS.

The ARTF Administrator had discussions in early 2016 with the government to reconfirm investment priorities against the current and expected donor contributions to ensure adequate funds will be available to meet the activities outlined in the FS. The FY 1395 update to the FS, which is pending endorsement by the ARTF Steering Committee, outlines the reconfirmed pipeline of investment projects.



## AUDIT REPORTS: FY 1394 RESULTS

**THE WORLD BANK** concluded its review of the audit reports on the financial statements of the ARTF-financed recurrent and investment operations for FY 1394 (year ended December 21, 2015) in March 2016.

### AUDIT RESULTS: INVESTMENT PROJECTS

**AUDIT REPORTS**, covering 24 grants of ARTF investment operations, presented in 20

audited financial statements<sup>1</sup> for FY 1394 were received. These were reviewed and accepted by the World Bank as fulfilling the financial covenant 4.01(b) of the respective ARTF Grant Agreements.

A total of 18 out of the 20 audit reports had unqualified<sup>2</sup> (clean) audit opinions for FY 1394, compared to 21 out of 23 audit reports for FY 1393. All the audit reports for FY 1394 were received before the deadline of June 21, 2016. A comparative analysis

for the last five fiscal years is presented in Table 5.

The FY 1394 audit-related issues have been communicated to the relevant line ministries and the Bank is following up to ensure resolution. The Bank has due internal processes to address and resolve ineligible expenditures in a timely manner, and it is anticipated that all ineligible and questionable expenditures will be resolved by June 30, 2017.

**TABLE 5: COMPARATIVE ANALYSIS OF FY 1390 – FY 1394 AUDIT RESULTS**

| ARTF INVESTMENT PROJECTS AUDIT RESULTS FY 1390 - FY 1394 |                              |                               |                               |                                |                                       |                         |               |   |               |
|--|------------------------------|-------------------------------|-------------------------------|--------------------------------|---------------------------------------|-------------------------|---------------|---|---------------|
| FY   | # of Audits Reports Received | # of Reports Received on Time | Months Elapsed after Due Date | # of Unqualified Audit Reports | FY Total Expenditures in \$ (million) | Ineligible Expenditures |               | Unsubstantiated/Questionable Expenditures |               |
|  |                              |                               |                               |                                |                                       | Approx. (\$ million)    | In % of Total | Approx. (\$ million)                      | In % of Total |
| 1394   | 20                           | 20                            | 0                             | 18                             | 564                                   | 0.304                   | 0.05          | 0.198                                     | 0.035         |
| 1393   | 23                           | 15                            | 1.3                           | 21                             | 584                                   | 2.93                    | 0.50          | 1.388                                     | 0.240         |
| 1392   | 25                           | 24                            | 0.5                           | 21                             | 523                                   | 2.20                    | 0.42          | 0.019                                     | 0.004         |
| 1391   | 22                           | 17                            | 1                             | 20                             | 397                                   | 2.50                    | 0.60          | 0.283                                     | 0.070         |
| 1390   | 21                           | 10                            | 5                             | 20                             | 321                                   | 0                       | 0             | 0.783                                     | 0.240         |

### AUDIT RESULTS: RECURRENT COST TRUST FUND

**THE AUDITORS REPORTED** that the financial statements present fairly the receipts and payments under the trust fund in the

year. However, there is a qualification in the opinion (limitation in scope) because the auditors could not visit 10 of the provinces<sup>3</sup> due to security reasons. Since the visits were determined by external circumstances and were not the result of a risk-based sample, the auditors therefore reserved judgment

on the expenditures in these provinces. These expenditures represent 12.8 percent (\$161.99 million) of the total recurrent expenditures that were submitted.

Fortunately, the ARTF RCW Monitoring Agent (MA) that provides independent verification of the recurrent cost expenditures

1 Four projects out of 24 ARTF projects each have two grants attached to them.  
 2 The Afghanistan Resource Corridor PPG and Afghanistan Power System Development Project had qualified audit opinions.  
 3 Badghis, Farah, Faryab, Ghazni, Kunarh, Kunduz, Nooristan, Sar-e-pul, Takhar, and Zabul.

was able to conduct site visits to all the provinces except two due to security challenges<sup>4</sup>.

In addition to ineligible expenditures totaling \$47.06 million<sup>5</sup>, which were identified by the ARTF Monitoring Agent<sup>6</sup>, the Supreme Audit Office (SAO) audit report identified additional ineligible expenditures of \$3.95 million, representing 0.4 percent of the total recurrent expenditures that were submitted. As this is significantly less than those identified by the Monitoring Agent, it can therefore be concluded that the amount of ineligible expenditures identified by the auditors has already been considered as ineligible and not reimbursed under the ARTF RCW.

## MAIN CONCLUSIONS

### RECURRENT COST WINDOW

The auditors also prepared a management letter for the FY 1394 audits that sets out their findings. The principle recommendation is to address ineligibility under the RCW with respect to lack of supporting documents, inconsistent expenditures with rules

and decrees, and failure to comply with procurement procedures. Part of the measures to address ineligible expenditures under the RCW include the Monitoring Agent providing detailed monthly ineligibility reports to the MoF for follow-up and also conducting workshops for the line ministries.

### STRENGTHENING INTERNAL CONTROLS

The World Bank, with the support of the Monitoring Agent, has commenced a number of new initiatives to strengthen the internal controls and compliance of recurrent cost expenditure. Control checklists have been developed for government staff to follow when executing payroll and Operations and Maintenance (O&M) expenditures. Workshops were conducted in October 2016 to provide technical training on expected controls and more general principles of effective government procurement.

On a more regular basis, the Monitoring Agent provides a detailed monthly ineligibility report to the MoF listing key reasons for non-compliance and discusses the follow-up actions required. This is in addition to

regular technical briefing notes provided on specific issues (most recently, pension ineligibility, which highlights ministries and geographic locations, and remedial actions and controls to be implemented.) The Monitoring Agent highlights any emerging issues or concerns to the World Bank for appropriate follow-up.

### INVESTMENT PROJECTS

There is a need to improve internal controls and internal audit on investment projects. The current internal audit arrangements were put in place in FY 1394 and mostly focused on a centralized approach through the Internal Audit department of the MoF. In line with government regulations, there is a need to decentralize this function to the various ministries. The internal audits along with recommendations coming from the annual audits and Bank supervision contribute to strengthening the internal controls and positive results are visible progressively year after year.

<sup>4</sup> Paktika and Nooristan were inaccessible owing to high security risks.

<sup>5</sup> Some of the ineligible expenditures and expenditures for which supporting documents were not provided were reported in afghanis. An exchange rate of 60 afghanis to US\$1 has been used to convert the figures to dollars.

<sup>6</sup> Source: Monitoring Agent Annual Management Report for FY1394.

## FY 1395 IMPLEMENTATION PROGRESS

### CITIZENS' CHARTER AFGHANISTAN PROJECT

**THE ARTF MANAGEMENT COMMITTEE** on September 21, 2016, approved a \$400 million grant for the Citizens' Charter Afghanistan Project (CCAP). The estimated total CCAP financing is \$628 million over a period of four years, consisting of \$128 million Government of Afghanistan co-financing, a \$100 million International Development Association (IDA) grant, and \$400 million from the ARTF. The ARTF funding is expected to be provided in tranches over the next four years, with an initial amount of \$100 million allocated in FY 1395.

THE CCAP is the successor to the highly successful NSP, which introduced a community-driven development approach toward rural infrastructure and service delivery, and

reached approximately 35,000 communities over the past 14 years. The CCAP finances part of the Government of Afghanistan's larger, 10-year Citizens' Charter National Priority Program (CCNP), which the government launched in September 2016. The CCAP will support the first four-year phase of the CCNP. It will reach an estimated 8.5 million direct and indirect beneficiaries in approximately one third of districts located across all 34 provinces.

### PROJECT RESTRUCTURING

**THREE PROJECTS** were restructured in the second half of FY 1395: (i) Afghanistan Rural Enterprise Development Project to extend the project closing date from De-

cember 29, 2016 to 30 June, 2017, to allow implementation of activities funded through the additional financing of \$4.7 million; (ii) EQUIP II to extend the project closing date from December 31, 2016 to December 31, 2017, to allow for completion of project activities, while simultaneously preparing the successor project; (iii) the Resource Corridor PPG (renamed as "First Public-Private Partnerships Project PPG") extension of the closing date from December 31, 2016 to December 31, 2017, to enable completion of preparatory activities in support of the proposed project.

## LOOKING AHEAD TO FY 1396

### ARTF ROLE IN OPERATIONALIZING THE AFGHANISTAN NATIONAL PEACE AND DEVELOPMENT FRAMEWORK

**IN THE NEW FISCAL YEAR**, the ARTF Administrator will continue to work closely with the government in operationalizing the Afghanistan National Peace and Development Framework (ANPDF). This would include examining how best to align the national budget and the ARTF, given its role as the

main vehicle of on-budget financing, with the ANPDF. These discussions would inform the preparation of the next ARTF Financing Strategy for 1397–1399.

### ARTF FOURTH EXTERNAL REVIEW

**THE FOURTH EXTERNAL REVIEW** of the ARTF is planned for FY 1396. Following discussions held between the Government of Afghanistan, ARTF donors, and the ARTF Administrator over several months, agreement was reached on the content of the

Terms of Reference (ToR) of the external review. The tendering process to select the external review firm is expected to be launched in early 2017, with the review expected to start in mid-2017.



# QUALITY OF EDUCATION ON THE RISE IN AFGHANISTAN





■ **SCHOOL CONSTRUCTION AND ENROLLMENT:**

EQUIP II has supported the construction of 1,128 schools and Teacher Training Colleges (TTCs), while an estimated 8.5 million students, almost 40 percent of whom are girls, are currently enrolled in schools in general education, which have been supported by EQUIP.

- **SOCIAL MOBILIZATION:** Under EQUIP I and II, social mobilization activities have been conducted in 14,932 communities, resulting in the setting up of School Management *Shuras* (parent-teacher associations) in schools in these communities. In addition, 13,170 school improvement plans have been prepared nationwide.

■ **RESOURCES FOR QUALITY EDUCATION:**

Quality Enhancement Grants, supported by EQUIP II, have been awarded to 16,588 schools registered with the Ministry of Education to purchase school supplies, laboratory equipment, and other resources.

- **TEACHING TRAINING:** 154,811 teachers have been trained under in-service training packages (INSET V). INSET training packages are offered to teachers based on a needs assessment and correspond to skill gaps and range from INSET I to VI. Furthermore, basic School Management Training (SMT I and II) has been provided to 21,277 principals and school administrators.

- **SCHOLARSHIPS:** 11,436 female students have received scholarships and graduated from Teacher Training Colleges.

**T**HE SECOND EDUCATION QUALITY IMPROVEMENT PROGRAM (EQUIP II) is a follow-on program to the Education Quality Improvement Program, which seeks to increase equitable access to quality basic education, especially for girls. It is implemented by the Ministry of Education (MoE) and supported by a \$408 million grant from the Afghanistan Reconstruction Trust Fund.

The program is fully aligned with the Afghanistan National Education Strategic Plan and supports the institutional development of MoE program staff. Program interventions are primarily targeted toward general education, teacher training, and education management.

Improving the quality of education is a critical ingredient for human capital development, poverty alleviation, and economic growth in Afghanistan. While major achievements have been made since 2002, enrolling more than 7 million children in school, the challenges remain daunting. A massive skills deficit cuts across all institutions in Afghanistan, from principals to teachers and from managers to skilled labor needed for the bulk of the reconstruction work and its maintenance. Increasing conflict in the country undermines further education access, quality, and institutional capacity.

EQUIP II seeks to: (i) increase access to schooling from grades 1–12 and TTCs; (ii) strengthen the management capacity of communities to better manage teaching-learning activities through School Management *Shuras* and social mobilization; (iii) promote institutionalized district-based teacher and principal training activities nationwide; and (iv) prioritize education for girls in TTCs through a household scholarship scheme and the provision

of high school teachers in underserved schools. The program also provides Gender Grants to TTCs to establish a conducive learning environment, particularly for female students.

### QUALITY IMPROVEMENT PROGRAM BOOSTS STUDENTS' ENROLLMENT

The school bell rings at Safia Ama Jan Girls High School and students exit their classrooms to spend the break at the courtyard. As the students enter the courtyard and breathe in the fresh air, their faces become more cheerful.

Safia Ama Jan Girls High School, established in 2009, is located in Aino Mena, on the northern edge of Kandahar city. Zarghona, 48, the school's principal, recalls the early days of the school: "When first established, the school had two buildings and only a small number of students could study in it. The school yard was not paved with concrete. It did not have a library, laboratory, computer lab, and electricity."

Today, the school looks completely different and is able to accommodate more than 2,500 students. It has a teaching staff of 66. "Thanks to support from EQUIP, the school has three proper buildings now. It has three different shifts of students every day," says Zarghona.


She points out that enrollment has increased since the new buildings were constructed and equipped with modern equipment: "The number of students has increased by 60 percent from 2009 when the school was inaugurated. People even take their children out of private schools and enroll them in our school."

### ENTHUSIASM FOR LEARNING

To meet the demand for places, a 12-classroom building was built recently with an Infrastructure Development Grant of \$102,717 from EQUIP. In addition, EQUIP provided the school a Quality Enhancement Grant of some \$15,000 for purchasing school supplies, equipment for the library and science and computer laboratories, and a solar energy system to generate electricity.

Faraidon Hotak, the sole male teacher, who teaches physics and is in charge of the school's laboratory, says: "Since we painted the walls of the school and established the laboratory, library, and computer lab, all with assistance from EQUIP, students now learn their lessons with more enthusiasm. The quality of teaching has also improved."

Students like Sina, 12, an 8th grader, have had their enthusiasm for studying ignited thanks to the improved methods of learning and teaching. "I used to have difficulties in learning chemistry so I did not like it. But ever since we have chemistry lessons in the laboratory, I want to become a chemist," Sina says.

A young girl wearing a white headscarf with a blue and red patterned band is shown in profile, reading a large, open book. The book's pages are filled with handwritten text in a cursive script. The background is softly blurred, showing other people in a classroom or library setting.

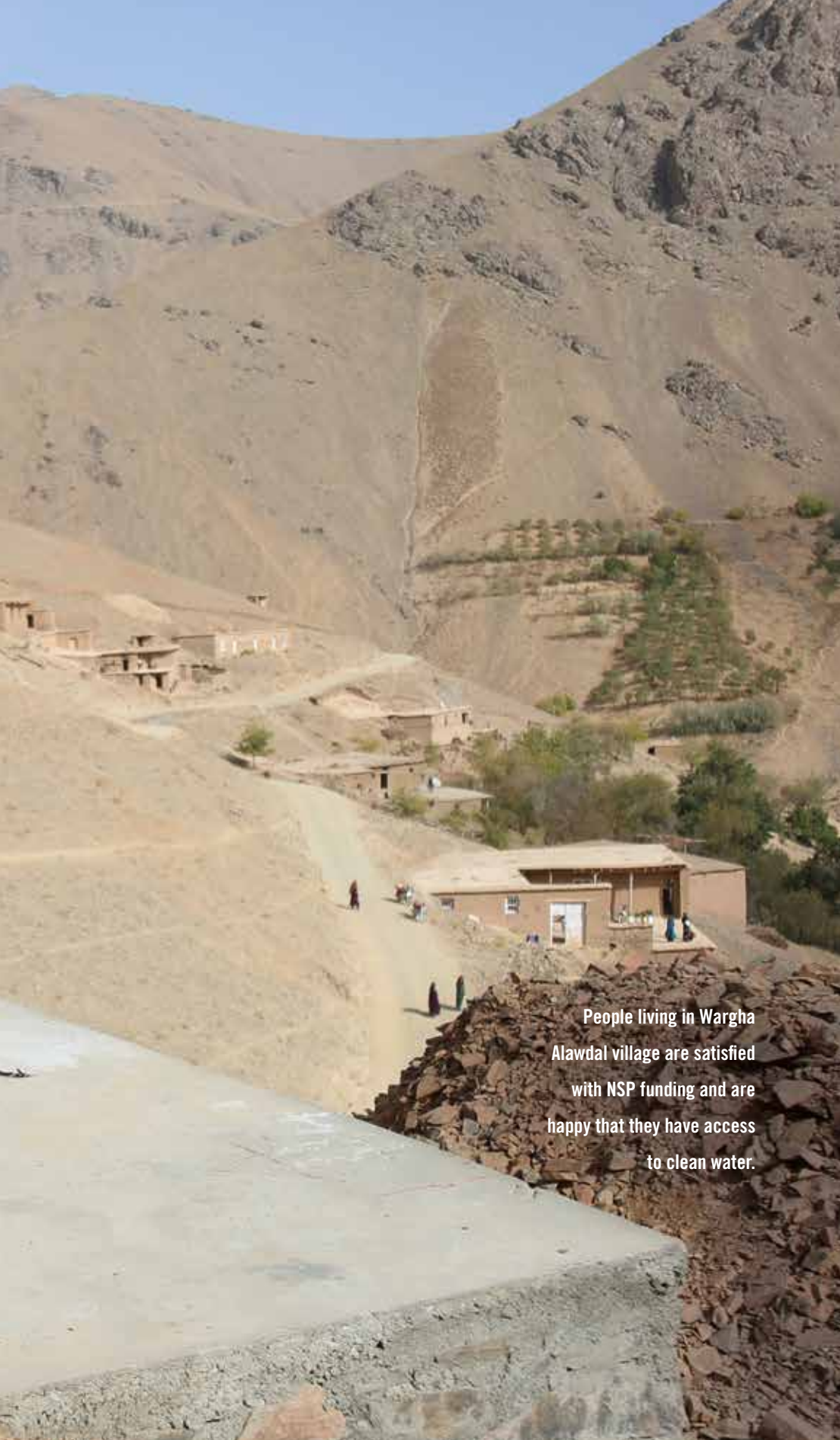
**“Safia Ama Jan Girls  
High School was  
established only  
in 2009, but with  
assistance from EQUIP  
it has developed into  
one of the best schools  
in Kandahar Province.”**

**—Abdul Malik Moradikhel,  
EQUIP Provincial Coordinator,  
Kandahar Province**

# NATIONAL SOLIDARITY PROGRAMME

BRINGS SUSTAINABLE  
CHANGE TO VILLAGE  
IN AFGHANISTAN





People living in Wargha Alawdal village are satisfied with NSP funding and are happy that they have access to clean water.

- The government flagship program on rural development has made a sustainable impact on the lives of residents in a village in central Afghanistan.
- The National Solidarity Programme has brought clean water, paved roads, and, most significantly, gender equality in decision making in the local Community Development Council.
- The program's success has been attributed to the strong support from the beneficiaries.

**S**HAHRISTAN DISTRICT, DAYKUNDI PROVINCE—The wind blows, rustling the yellow and green leaves on the trees of Paye Wargha Alawdal village. It is noon and most of the villagers are inside their homes, the peaceful silence broken only occasionally by the sound of children playing games under the shadow of the trees. Fatima, 40, a resident of the village, is washing dishes with water from a faucet installed in her yard.

“Life is much easier now,” she says. “Now I do not need to walk long distances to reach a well. I can drink the water and wash my clothes and dishes just by turning the tap on in my home.”

Nearly 240 households live in Paye Wargha Alawdal village in the Shahrstan district of Daykundi Province in central Afghanistan, where the lack of access to sufficient and clean drinking water had increased the prevalence of disease. “We used to bring our drinking water from streams and we had many cases of tuberculosis in our village,” says Mohammad Daoud, 47, a member of the local Community Development Council (CDC). “Now, people drink the water from the pipe system and the number of people getting diseases is very low.”

The issue was addressed when villagers built a water supply system with help from the **National Solidarity Programme (NSP)**. Implemented by the village CDC, the system, completed in November 2015, ensures a reliable water supply to the beneficiary households through a tank connected by pipeline to a newly dug well. More than 55 households in the village use the water supply and have sufficient access to clean water.

With the new water system running, the villagers have seen a dramatic decrease in the incidence of disease. “We used to

*All the projects we  
implemented through  
NSP brought big  
differences to our  
village. Now, we can  
reach a clinic faster,  
we have sufficient  
water, and we have  
no fear of floods.*

—Mohammad Ali  
Resident  
Paye Wargha Alawdal village

suffer from infectious diseases, such as tuberculosis, sore throat, and diarrhea, especially in children,” says Khadim Hussain, 70, a CDC member.

## WOMEN PARTICIPATE IN DECISION MAKING

NSP is the Government of Afghanistan’s flagship program for rural development, implemented by the Ministry of Rural Rehabilitation and Development (MRRD). It is supported by the International Development Association (IDA), the World Bank Group’s fund for the poorest countries, the Afghanistan Reconstruction Trust Fund (ARTF), the Japan Social Development Fund (JSDF), and bilateral donors.

Under NSP, more than 35,000 CDCs have been set up throughout the country and play a major role in implementing rural projects and resolving conflict and problems in their communities. NSP started its work in Daykundi in 2003, eventually covering all eight districts and establishing 750 CDCs across the province. The program has completed nearly 1,600 projects in the areas of transport, education, and drinking water.

However, the most significant gain has been in women’s empowerment. “Our biggest achievement in Daykundi is the equal participation of women in all the CDCs,” says engineer Ali Jan, NSP provincial officer. “Women actively participate in all of NSP’s decision-making processes and activities.”

Paye Wargha Alawdal village provides a good example of women’s empowerment, where women comprise half the CDC, and take leadership roles in decision making, project monitoring and problem solving. “My wife is also an elected member of the CDC,” says Noor Hussain, 65, a CDC member. “Women are helping us a lot to implement the projects better.”



With the help of the National Solidarity Programme, villagers were able to build a water supply system to solve their problem through their Community Development Council.

### VILLAGER BUY-IN VITAL TO SUCCESS

Paye Wargha Alawdal village has received two rounds of NSP block grants. In the first round in 2004, villagers used the funds to construct a 845-meter protection wall and to provide 82 solar panels to villagers.

In the second round of NSP funding in 2013, totaling 2.3 million afghanis (about \$33,500), Paye Wargha villagers established the water supply system and constructed 61 latrines.

Villager buy-in is a key component of NSP, sustaining the program's impact long after the conclusion of direct project activities. "Even though the road condition

was poor in Daykundi and it was a challenge to deliver raw materials for the projects, NSP completed them successfully," says Ali Jan. "This is because we had the strong support of the villagers."

"In the past 15 years, it is NSP that has helped us to do development projects in our village," says Mohammad Ali, 32, a local villager. "All the projects we implemented through NSP brought big differences in our village. Now, we can reach a clinic faster, we have sufficient water, and we have no fear of floods."

At the initiation of the Government of Afghanistan, NSP will soon be replaced by the **Citizens' Charter Afghanistan Project**

(**CCAP**). The objective of the CCAP, in effect a social contract between the government and CDCs, is to improve the delivery of core infrastructure and social services to participating communities through strengthened development councils. These services are part of a minimum service standards package that the government is committed to delivering to citizens.

# INCENTIVE PROGRAM FY 1394 - 1396 (2015-2017)

## ADMINISTRATOR'S 3<sup>RD</sup> TECHNICAL REVIEW December 2016

### SUMMARY ASSESSMENT

**THIS IS THE THIRD TECHNICAL REVIEW** of the 2015–2017 program undertaken by the World Bank as Administrator. Findings of the technical review include:

- The economy continues to be affected by ongoing conflict and political instability. Growth in 2016 remains low and prospects of economic recovery in the short term are dim. However, the macro-fiscal policy framework remains robust and adequate for continued disbursements through the program.
- Program performance remains strong. Government is expected to overreach its revenue targets in 2016 for a second year in a row. O&M spending appears to be on track to reach the budget tar-

get, supported by strong efforts in O&M management and provincial budgeting. Government has de-bottlenecked important investment climate reforms and managed to improve significantly the ability of the Afghanistan revenue administration to address system vulnerabilities and process inefficiencies. Most reforms supported by this program are now on track or can be implemented with slight delays.

- In this round, the government met two 2015 reform benchmarks with delay, and three benchmarks within the 2016 timeline. Based on the assessments undertaken for this technical review, the Administrator recommends the disbursement of \$83.5 million.

### PART I: PROGRAM BACKGROUND

**THE INCENTIVE PROGRAM 2015–2017**, part of the Recurrent Cost Window of the ARTF, is a three-year, rolling operation supporting a series of economic policy reforms deemed critical to achieving greater fiscal self-reliance. The IP incentivizes achievements of results and timely implementation of reforms to improve domestic revenue mobilization, expenditure management, and growth prospects.

The overall financing envelope of the Incentive Program 2015–2017 is \$900 million and represents the global financing ceiling. Incentive funds can be accessed through three complementary facilities: (i) the structural reform facility; (ii) the revenue

**TABLE 6: INDICATIVE ALLOCATION THROUGH THE RECURRENT COST WINDOW AND THE IP (\$ MILLION)**

|                          | ALLOCATION    |               |               |
|--------------------------|---------------|---------------|---------------|
|                          | 2015          | 2016          | 2017          |
| Baseline ARTF RC support | \$125         | \$100         | \$75          |
| <b>ARTF IP</b>           | <b>\$275</b>  | <b>\$300</b>  | <b>\$325</b>  |
| Structural Benchmarks    | \$200         | \$225         | \$250         |
| Revenue Matching Grant   | \$75          | \$75          | \$75          |
| O&M Facility             | Float/balance | Float/balance | Float/balance |
| <b>TOTAL ARTF RCW</b>    | <b>\$400</b>  | <b>\$400</b>  | <b>\$400</b>  |



matching grant facility; and (iii) the O&M facility. Annual allocations to the program are only indicative and can vary from actual disbursements depending on program performance. Detailed information on each of these facilities, description of the structural benchmarks, and timetables are contained in the Memorandum of Understanding from September 6, 2015.

## PART II: ASSESSMENT OF MACRO-FISCAL POLICY FRAMEWORK

**AFGHANISTAN'S ECONOMIC GROWTH** continues to be lackluster. After rapid growth for more than a decade, real gross domestic product (GDP) growth slowed to 1.3 percent in 2014 and 0.8 percent in 2015. Recent agriculture surveys suggest a slight weather-induced decline of agriculture production by 0.5 percent in 2016.

Over the first half of 2016, the number of new firm registrations dropped by 30 percent, suggesting that business confidence continues to be affected by uncertainty over the security situation and market conditions. However, exports increased in the first half of 2016, by around 6 percent compared to the same period last year, due to an increase in horticulture and dried fruit exports. Counting on continued growth in the construction sector, projections show a marginal increase in economic growth to 1.2 percent in 2016.

Consumer price inflation increased from 0.2 percent (year-on-year) in December 2015 to 6.7 percent in October 2016. On a 12-month average basis, the inflation rate increased from a negative -1.5

percent to 4.3 percent between the same months. Both food and non-food prices have contributed to the increase. The surge in prices could also be caused by lagged effect of currency depreciation, which began in mid-2014. Afghanistan's currency, the afghani, depreciated by around 15 percent against the US dollar between October 2014 and October 2016.

**The fiscal position is improving.** Following three years of poor performance, revenue collections increased significantly in 2015 with performance remaining strong throughout 2016. Domestic revenues amounted to 113.4 billion afghanis<sup>7</sup> as of end October 2016, nearly 21 percent higher than the figure recorded for the same period last year. Public expenditures increased by 8 percent over the same period, with security spending and recurrent civilian expenditures increasing by 4.5 percent and 13 percent, respectively.

Development expenditures also increased by around 11 percent in the first 10 months of the year compared to the same period last year. However, the execution rate of the development budget, which was 35 percent as of end October 2016, is lower by around two percentage points year-on-year. The budget is expected to be balanced by year end.

**The medium-term outlook points toward a slow economic recovery,** with real GDP growth expected to gradually increase to around 3.6 percent by 2019. Stronger growth in out-years is predicated on improvements in security, achievement of political stability, reform progress, and continued high levels of aid.

**Continued inflows of aid will support Afghanistan's growth prospects.** The

Brussels Conference on Afghanistan, held on October 4, 2016, resulted in total aid pledges of \$15.2 billion through 2020, exceeding initial expectations. This level of aid support is adequate to sustain current levels of service delivery and to preserve development gains in Afghanistan. However, achieving higher growth rates will require major efforts by both the international community and the government. The government will need to implement a range of vital policy reforms and adopt a careful and strategic approach to all resource allocation decisions, and to pursue all available means to increase its fiscal space. The international community will need to continue to pursue means to increase the proportion of civilian aid on budget to ensure better alignment with government priorities, improve cost effectiveness, and ensure that service delivery systems continue to expand.

On July 20, 2016, the International Monetary Fund (IMF) Executive Board approved a three-year Extended Credit Facility (ECF). This agreement comes after a successful nine-month Staff Monitored Program (SMP), which was completed in April 2016. The program under ECF focuses on institution building, fiscal and financial reforms, and measures to combat corruption. The first review of the program is scheduled for early February.

## PART III: PROGRESS ON REVENUE MOBILIZATION AND COLLECTION

**THE REVENUE MATCHING GRANT (RMG)** Scheme under the IP provides an incentive for improved performance in revenue mobi-

<sup>7</sup> The figure excludes one-off transfers up to September 2016 received by the Ministry of Finance in 2016.

lization and collection. It is anchored in the annual revenue targets agreed in advance between the Ministry of Finance and the IMF. Revenue growth over the previous program year triggers incentive funds that are calibrated at the annual indicative allocation, i.e., full achievement of the target would trigger a disbursement of \$75 million (100 percent of the annual indicative allocation). Disbursements increase proportionally to revenue growth toward the revenue target. The disbursement eligibility of the Revenue Matching Grant is assessed only once a year.

**Revenue collection in FY 1395 (2016):** As indicated above, domestic revenues amounted to 113.4 billion afghanis<sup>8</sup> by end October 2016, nearly 21 percent higher than the figure recorded for the same period

last year. Preliminary data suggest that the increase in revenue is mainly the result of an increase in tax and non-tax revenues, while customs revenues appear to be declining.

The increase in both tax and non-tax revenues is largely the result of: (i) improvements to tax administration and increased compliance; and (ii) the introduction of new tax measures in the second and third quarters of 2015. While some of the increase in non-tax revenues was the result of a temporary surge in government services, such as the increased demand for passports (on which the government levies fees), it is expected that most of the other increases can be sustained. The decline in customs revenue is likely to be driven by import trends. While in 2015 the collection of tax arrears

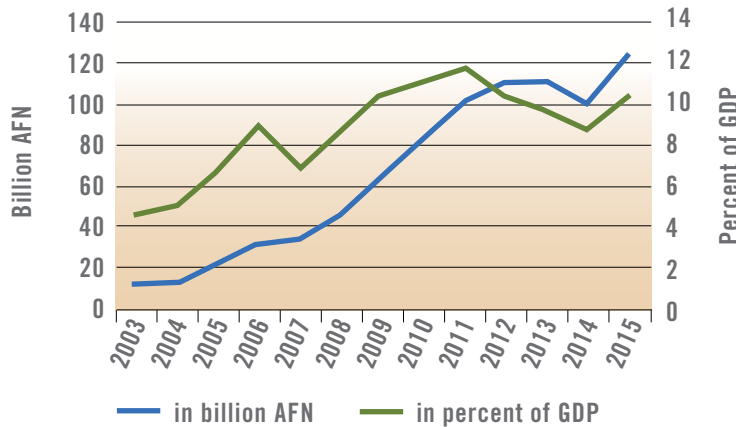
contributed significantly to the overall non-tax revenue performance, this has not been the case in 2016. Reclassification of revenues is pending and final revenue figures would need to be confirmed in early FY 2017.

The revenue target, agreed between the MoF and IMF for 2016, is 132.6 billion afghanis. As of end October, over 85 percent of the revenue target has been met. Revenues are expected to exceed the revenue target by around 5 percent by year end.

**Incentives Payments under Revenue Matching Grant for 2016:** The 2016 revenue assessment will be concluded in early 2017. No incentive payments will be disbursed in this round.

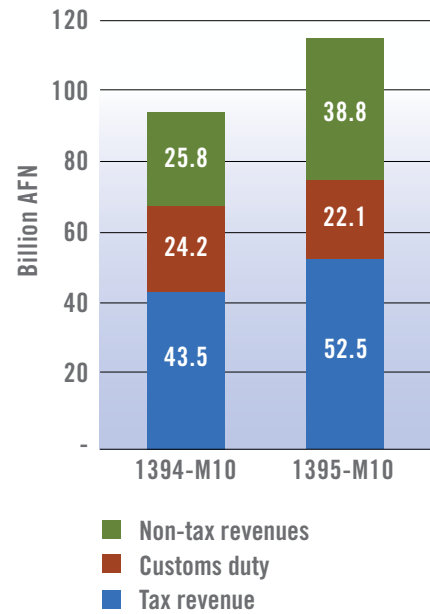
**FIGURE 3: REVENUE COLLECTION PERFORMANCE**

**A. Revenue performance over 2003–2015**



Source: Ministry of Finance (Afghanistan Financial Management Information System [AFMIS])

**B. Revenues in first 10 months, 2015–2016**



<sup>8</sup> The figure excludes one-off transfers received up to September 2016 by the Ministry of Finance in 2016.

## PART IV: PROGRESS ON OPERATIONS AND MAINTENANCE SPENDING AND MANAGEMENT

**THE OPERATIONS & MAINTENANCE** facility aims at improving the operations and maintenance of public assets in key areas, such as education, health, and rural/urban infrastructure and, thus, enhancing their sustainability. To this end, the O&M facility incentivizes increases in O&M spending. The facility refunds incremental O&M civilian spending above a predetermined baseline (which is sensitive to revenue growth) and provides an additional incentive of \$0.5 on each dollar of incremental spending to reward improved O&M management. The disbursement eligibility of the O&M facility is assessed only once a year.

O&M activities in 2016: Capacity to plan, safeguard, and execute O&M spending

was critically low at the beginning of 2013. Since then a number of reforms in provincial budgeting and O&M capacity building activities, especially over the past years, have achieved significant turnaround. Activities in 2016 included:

- Out of the 55 government entities with an O&M budget, 29 have received training in O&M budgeting and implementation policies.
- O&M budget norms and costing were expanded to four additional ministries.
- Several coordination mechanisms have been established to support O&M spending: (i) a Fiscal Deconcentration Working Group in Kabul to help coordinate and plan provincial budgeting, and (ii) an O&M working group to support O&M activities. At subnational level, Provincial Public Finance Management Committees have been established to help provinces with costing, budgeting, and execution of O&M funds.

- Trainings were provided to the subnational committees in all 34 provinces.
- O&M policy orientation workshops were conducted in the 29 new government agencies and ministries.

**Trends in O&M spending:** The end-October Treasury report indicates that civilian O&M spending amounted to 12.8 billion afghanis, which is only marginally higher than spending over the same period in 2015. However, allotment and execution figures by the budget department reports significantly higher O&M spending. Typically, O&M spending accelerates in the last quarter of the budget year, which should make it possible to reach or even supersede the 2016 O&M baseline of 18.2 billion afghanis. The next technical review will include a detailed full-year assessment of O&M spending.

**Incentives Payments under O&M Facility for 2016:** The 2016 assessment will be concluded in early 2017. No incentive payments will be disbursed in this round.

TABLE 7: TRENDS IN O&M SPENDING (AFN BILLION)

| EXPENDITURE CATEGORY             | 2013  | 2014  | 2015  | 2016 (BASE) | 2016 (PROJ.) |
|----------------------------------|-------|-------|-------|-------------|--------------|
| DOMESTIC REVENUES                | 109.4 | 100.1 | 122.4 | 132.6       | 140.7        |
| TOTAL EXPENDITURES               | 278.3 | 301.0 | 318.8 | 374.7       | 375.2        |
| RECURRENT EXPENDITURES           | 198.0 | 228.3 | 235.9 | 268.4       | 268.9        |
| SECURITY                         | 119.8 | 137.4 | 143.6 | 170.8       | 170.8        |
| CIVILIAN                         | 78.3  | 91.0  | 92.3  | 97.6        | 98.1         |
| OPERATIONS AND MAINTENANCE       | 18.0  | 16.3  | 17.3  | 18.2        | 18.7         |
| <b>CIVILIAN O&amp;M</b>          |       |       |       |             |              |
| IN PERCENT OF TOTAL SPENDING     | 6.5   | 5.4   | 5.4   | 4.9         | 5.0          |
| IN PERCENT OF RECURRENT SPENDING | 9.1   | 7.1   | 7.3   | 6.8         | 6.9          |
| IN PERCENT OF CIVILIAN RECURRENT | 23.0  | 17.9  | 18.7  | 18.6        | 19.0         |
| IN PERCENT OF REVENUES           | 16.5  | 16.3  | 14.1  | 13.7        | 13.3         |

## PART V: PERFORMANCE ASSESSMENT OF THE STRUCTURAL REFORM BENCHMARKS

### PERFORMANCE ASSESSMENT OF 2015 BENCHMARKS:

The last technical review (March 15, 2016) indicated that six out of ten 2015 structural benchmarks experienced delays and were pending completion. The scorecard in Annex 1 provides a brief assessment of all pending structural benchmarks. Based on the evidence received up to November 20, 2016, we confirm the achievement of two more benchmarks related to tax policy and doing business reforms. The verification protocols annexed to the technical review provide more detail on the completion of these benchmarks. This leaves four 2015 benchmarks pending completion including:

- **Tax Administration:** cabinet approval of the Afghanistan Revenue Department (ARD) reform plan.
- **Pension Reform:** preparation and presentation of pension analysis.

- **Electronic Payment System:** issuance of the Afghanistan Payment System (APS) license.

- **Land Management:** cabinet approval of the Afghanistan Independent Land Authority (ARAZI) law.

The Reform Scorecard (Annex 3) indicates the reasons for the delays but also shows that 2015 reforms continue to progress. In principle, there is no technical obstacle to completing the reform actions related to tax administration, the Electronic Payment System (issuance of the APS license), and land management. A higher level of government attention to these three benchmarks could help to achieve the last mile to completion.

**Performance assessment of 2016 benchmarks:** The government succeeded in meeting three out of ten reform benchmarks within the deadline for the 2016 program, including reforms on tax administration, doing business, and provincial budgeting (see verification protocols in Annex 5). We are encouraged by rapid progress in tax administration and doing business reforms, which

at the beginning of 2016 appeared stuck.

The remaining seven 2016 benchmarks are mostly on track to be fully implemented over coming weeks (see scorecard in Annex 4). Alone, the pension reform benchmarks cause concerns. Initial discussion and coordination around the pension reforms have been difficult, despite high-level ministerial attention. Progress on pension reforms is unpredictable. Finally, uncertainty remains regarding the institutional role and reporting lines of the new customs enforcement wing.

**Incentive Payments under the Structural Reform Scheme:** Based on the above assessment, the government met two 2015 benchmarks with delay and three 2016 on time. Discounts apply to the original allocation of the 2015 benchmarks as indicated in Table 9. In total, the government qualifies for incentive payments in the amount of \$83.5 million under the Structural Reform Scheme. “Losses” under the structural benchmark scheme now amount to \$91 million. If the pending 2015 triggers were achieved during December, \$6 million could still have been disbursed.

TABLE 8: REFORM IMPLEMENTATION AT A GLANCE

|    |                            | 2015 | 2016 | 2017 |
|----|----------------------------|------|------|------|
| 1  | Customs: HR Reforms        |      | ●    | ○    |
| 2  | Customs: Enforcement       |      | ●    | ○    |
| 3  | Revenue Administration     | ●    |      | ○    |
| 4  | Tax Policy                 |      | ●    | ○    |
| 5  | Land Governance            | ●    | ●    | ○    |
| 6  | Doing Business             |      |      | ○    |
| 7  | Pension                    | ●    | ●    | ○    |
| 8  | Electronic Payment Systems | ●    | ●    | ○    |
| 9  | Provincial Budgeting       |      |      | ○    |
| 10 | Budget Accountability      |      | ●    | ○    |

TABLE 9: INCENTIVE PAYMENTS UNDER THE STRUCTURAL REFORM SCHEME

| BENCHMARK                | ALLOCATION (\$ million) | DELAY    | DISCOUNT (\$ million) | ELIGIBLE AMOUNT (\$ million) |
|--------------------------|-------------------------|----------|-----------------------|------------------------------|
| <b>2015</b>              |                         |          |                       |                              |
| (4) Tax Policy           | 25.0                    | 3 months | 6.25                  | 18.75                        |
| (6) Doing Business       | 17.8                    | 9 months | 13.35                 | 4.45                         |
| <b>2016</b>              |                         |          |                       |                              |
| (3) Tax Administration   | 20.1                    | --       | --                    | 20.1                         |
| (6) Doing Business       | 20.1                    | --       | --                    | 20.1                         |
| (9) Provincial Budgeting | 20.1                    | --       | --                    | 20.1                         |
| <b>TOTAL</b>             |                         |          |                       | <b>83.5</b>                  |



## PART VI: ADMINISTRATOR'S DISBURSEMENT RECOMMENDATIONS

**AT THE TIME OF REVIEW** disbursements of the 2015–2017 IP totaled \$254.3 million, representing 28.2 percent of the total IP allocation (Table 10).

As a result of this review, we recommend the ARTF Management Committee disburse \$83.5 million in incentive funds out of the ARTF Incentive Program allocations.

Disbursements following this review will increase the disbursement ratio of the Incentive Program to 37.5 percent as of July 2016. Given current progress on revenue growth and O&M spending, the government remains well on-track to receiving 100 percent of the global allocation to the IP (\$900 million).

## PART VII: KEY ISSUES FOR MANAGEMENT ATTENTION

**THE ADMINISTRATOR** would like to bring the following issues to the attention of the Ministry of Finance and the ARTF Working Group for follow-up:

- While the remaining allocation for 2015 is almost fully discounted at the time of the review, we encourage government to continue implementing the reforms and quickly resolve “last mile issues”, especially with regard to the issuance of the APS license and the ARAZI law.
- We encourage government to reaffirm its commitment to pension reforms and propose a timeline for follow-up discussions. Our teams stand ready to support government in the dialogue around options for reform.

**TABLE 10: DISBURSEMENT THROUGH THE RECURRENT COST WINDOW AND THE IP AS OF DECEMBER 2016 (\$ MILLION)**

|  | DISBURSEMENTS        |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | 2015<br>(1st Review) | 2016<br>(2nd Review) | 2017<br>(3rd Review) |
| <b>ARTF IP</b>                         |                      |                      |                      |
| Structural Benchmarks                  | 60.6                 | 17.8                 | 83.5                 |
| Revenue Matching Grant                 | 33                   | 83.2                 | --                   |
| O&M Facility                           | 0                    | 59.7                 | --                   |
| <b>Total ARTF RCW</b>                  | <b>93.6</b>          | <b>160.7</b>         | <b>83.5</b>          |
| IP Disbursement in % of Total (accum.) | 9.6                  | 28.2                 | 37.5                 |
| <b>REMAINING IP BALANCE</b>            | <b>806.4</b>         | <b>645.7</b>         | <b>562.2</b>         |

- Should the uncertainty persist, we suggest issuing a formal directive to clarify any unresolved issues on the direction of custom enforcement reforms.



# FIFTH NATIONAL CONSULTATIVE CONFERENCE

## OF COMMUNITY DEVELOPMENT COUNCILS



- Community Development Councils will be given more responsibilities in recognition of their successful role in implementing community-level development projects in their communities.
- The Government of Afghanistan announced this decision at the Fifth National Consultative Jirga of Community Development Councils in Kabul.
- Community Development Councils are being established under the government's National Solidarity Programme, its flagship program for rural development.

**K**ABUL—Community Development Councils (CDCs) will be given more responsibilities to ensure greater development in rural areas, based on their success in bringing prosperity to their communities.

“We do recognize your tireless efforts at the village level and, therefore, the Afghan government has decided to delegate further responsibilities to you [CDCs],” Naseer Ahmad Durrani, Minister of Rural Rehabilitation and

Development, told more than 500 delegates from 34 provinces attending the Fifth National Consultative Jirga (conference) of Community Development Councils in Kabul.

“This means that the government is serious and recognizes your important role and brilliant performance in the past in giving you even more responsibilities,” he said.

The Jirga, held from October 31 to November 2, 2015, was organized by the Ministry of Rural Rehabilitation and

Development (MRRD), which is responsible for implementing the National Solidarity Programme (NSP), the Government of Afghanistan’s flagship program for development. The purpose of the Jirga was to raise the awareness of CDC members on future government programs to be implemented through NSP.

The large gathering in Afghanistan’s biggest hall, the Loya Jirga hall, reflected NSP’s success in bringing development to



The Jirga held from October 31 - November 2, 2015, was to raise the awareness of CDC members on future government programs to be implemented through the National Solidarity Programme.



**Dr. Abdullah Abdullah, Chief Executive of the National Unity Government, emphasized the importance of CDC members and their role in helping to create stability in the country.**

rural and isolated communities across the country. “Looking at various reports and media analysis, both locally and internationally, I can proudly say that NSP has received wide recognition as one of the most successful programs in the country,” said Ghulam Rasoul Rasouli, NSP Acting Executive Director. “Though many factors have contributed to the success of this program, among the most important factors are the participation of communities, consultation with villagers, and due supervision of projects, which have made the program a true success.”

Some 35,000 CDCs, established under NSP, have been instrumental in implementing over 80,000 MRRD development projects in their communities, leading to economic prosperity in entire Afghan villages. CDCs are found in about 85 percent of Afghan communities.

President Mohammad Ashraf Ghani addressed the Jirga on its second day. He told delegates that the government will maintain the momentum of development work and introduce a follow-on program—the ‘Citizens’ Charter’—after NSP comes to an end next year. “The upcoming Citizens’ Charter Program will sustain the work of CDCs by adding to their responsibilities as the sole competent

government bodies in villages,” said President Ghani.

President Ghani lauded the effectiveness of the CDCs, and urged them to undertake more responsibility in the implementation of community-level development projects currently under other ministries and government institutions. “Now that our people are able to analyze their problems, all future programs of government ministries will be implemented through and by the CDCs in their respective communities,” he said.

### KEY ROLE IN CREATING STABILITY AND ENHANCING EMPOWERMENT

Dr. Abdullah Abdullah, Chief Executive of the National Unity Government, emphasized

the importance of CDC members and their role in helping to create stability in the country: “We have been witnessing a spirit of solidarity, trust, harmony, as well as a vibrant presence of the people at the Community Development Councils. Your cooperation with the government and your supervision of the projects have led to further transparency in local affairs. We need you for the stability and better future of the country.”

Dr Abdullah underlined the significance of local governance and the need for transparency. “When people participate in local governance, they can help the government... We want a better relationship between the local government and the councils,” he said. “Also for the sake of transparency of the councils, elections need to be organized in those councils where there have not been any.”

CDCs have enabled women to play a greater role in local governance. Over 30 percent of the CDC delegates at the Jirga were women. “I can see that the capacity of women has improved—something I see among women participants at this conference, who have come from various provinces,” said Saleha, a delegate from Panjab district in Bamyán Province. “Such programs [CDC conferences] are



**CDCs have enabled women to play a greater role in local governance, not only educating them but also boosting their self-confidence.**



very important for women as they not only educate them, but also help boost women's self-confidence. Now, women play an almost equal part in many provinces of the country, particularly Bamyan Province, in resolving local issues."

The government has recognized the significant role CDCs play in enhancing women's empowerment. "We work with CDCs while developing our plans to tackle women's issues. CDCs can channel women's voice to the government," said Delbar Nazari, Minister of Women's Affairs. "We will keep pace with CDCs to address women's issues and will promote the culture of understanding and coherence."

Women's issues and job creation will be addressed, said the minister. "We will launch projects to create jobs for women. CDCs will serve as a catalyst to make women heard at the Ministry of Women's Affairs. Women's participation is key to implementing projects in a better way."

## PLATFORM FOR CONSULTATION

The three-day conference provided a platform for consultation with senior government authorities, donor partners, and CDC members from all over Afghanistan. "This Jirga was a crucial platform where we got firsthand information on the activities undertaken by CDCs, helped us learn about their issues, and seek solutions for those issues with their support," said NSP Acting Executive Director Rasoul.

The Jirga also served as a platform for participants to share their views and recommendations to improve overall government performance, as well as share their concerns and suggestions on program implementation with the government.

Delegates were divided into 17 groups to discuss various aspects of their work and

also share experiences with each other. There were lively and enthusiastic discussions on the strengths and weaknesses of the various projects, highlighting the intricacies of rural development activities. A spirit of harmony and collaboration was palpable among the participants, who had come from all over the country.

### *The Fifth National*

*Consultative Jirga was*

*a perfect opportunity to*

*tighten the loose ends of*

*the National Solidarity*

*Programme, refresh contacts*

*with CDC members, and*

*ensure transparency*

*down the road.*

—Naseer Ahmad Duranni

Minister

Ministry of Rural Rehabilitation  
and Development

Gul Wali, 65, a delegate from Deh Bala district in Nangarhar Province said: "We had men and women from different provinces in my working group. The experiences from their provinces were valuable to me. I am so happy that I got to know my compatriots from other parts of Afghanistan."

Delegates also expressed satisfaction with the relationship between CDCs and government. Hajji Mohammad Zaher, a delegate from Garmser district in Helmand Province, said: "The government has maintained a satisfactory level of coordination with people through CDCs, which is why the whole district enjoys great security. Indeed, it is the CDCs that have ensured the security in coordination with the government. People also are quite happy with this."

After the intense discussions, delegates ratified a resolution of 14 articles on the final day, committing to continue the active work of the CDCs, ensure good governance, and enhance women's empowerment, while calling for further government support to the CDCs.

MRRD Minister Duranni summed up the success of the Jirga: "The Fifth National Consultative Jirga was a perfect opportunity to tighten the loose ends of the program, refresh contacts with CDC members, and ensure transparency down the road."

**The National Solidarity Programme**, under the Ministry of Rural Rehabilitation and Development is in its third phase and aims to generate 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. It is supported by International Development Association, the World Bank Group's fund for the poorest countries, Afghanistan Reconstruction Trust Fund, Japanese Social Development Fund, and a number of bilateral donors.

# AFGHANISTAN ECONOMIC UPDATE

**THE AFGHAN ECONOMY** has pursued its positive growth trajectory, despite significant security challenges. While the number of civilian casualties and violent attacks remain high, the National Unity Government has seized opportunities to progress on a number of fronts. The government was able to secure funding for security and development needs for the next four years. The NATO Warsaw Summit in July 2016 and the Brussels Conference on Afghanistan in October 2016 resulted in pledges of, respectively, \$4.5 billion and \$3.8 billion per year in security and civilian donor grants over the next four years.

A landmark peace agreement with an armed opposition group was also reached. A number of regional and development initiatives—including Afghanistan's expected accession to the World Trade Organization and the opening of the Chahbahar port in Iran as an alternative trade route, among others—will help improve the development prospects for the country.

Security challenges, however, supersede all factors, as they directly impede economic activities and affect business and consumer confidence. In 2015, the economy grew 0.8 percent, driven by a strong fall in agriculture output (–5.7 percent). Growth in industry and services has been below the historical averages. Proxy indicators, such as new firm and vehicle registration numbers, point toward limited new investments and weak economic activity in the first half of 2016, too. A forecasted weak agriculture production this year and persistent weak demand in the economy as reflected by declining imports in the first half of the year lead

to a projection of 1.2 percent for economic growth in 2016.

Prices started to rebound in 2016, after almost a year of downward trend. As the global prices of energy and cereals started to recover since earlier this year, the exchange rate depreciation started to exert upward pressure on domestic prices. Inflation increased from 0.2 percent (year-on-year) in December 2015 to 6.9 percent in September 2016.

Revenue collection showed a tremendous performance in 2016. Domestic revenues collected in the first eight months of the year were 30 percent higher than in the same period in the previous year. Both tax and non-tax revenues grew in double digits, while customs duty collection was lower due to declining imports this year as a result of weakening domestic demand. The overall increase in revenue collection has been supported by improvements in tax administration and compliance, as well as a set of new policy measures that were introduced in the second and third quarters of 2015.

Public spending in the first half of 2016 was 5 percent higher than in the same period previous year. While growing security costs and civilian recurrent needs increased the operating budget spending by around 9 percent in the first half of the year, development budget expenditures have been lower due to poorer budget execution performance across most government institutions.

The trend in exchange rate depreciation continued in the first half of 2016. On an annualized rate (year-on-year change), the afghani depreciated by an average 15 percent against the US dollar in the first

half of 2016. While the afghani gained value against the US dollar in the third quarter, it is still lower than in the same period last year and could be a cyclical fluctuation. Foreign exchange reserves, which declined through most of 2015, increased in the first half of 2016 to \$7.4 billion (as of end June 2016), equivalent to around nine months of import.

Growth is expected to gradually pick up from 1.8 percent in 2017 to 3.6 percent by 2019, provided the security situation does not further deteriorate. Stronger growth in out-years is predicated on improvements in security, political stability, reform progress, and continued high levels of aid.

This section highlights that the level of aid pledged over the next four years is adequate to sustain existing levels of service delivery and preserve the current development gains. Achieving faster growth with this level of civilian aid, however, will require major effort from both the international community and government.

The international community will need to pursue all possible means of increasing the proportion of civilian aid delivered on-budget to ensure alignment with government priorities, maximize cost-effectiveness, and magnify local economic impacts. Government will need to pursue a range of vital policy reforms, ensure a careful and strategic approach to all resource allocation decisions, and pursue available measures to increase fiscal space.



AFGHAN VILLAGERS LEARN  
SUSTAINABLE IRRIGATION  
PRACTICES THROUGH THE

# On-farm Water Management Project

Built by the On-Farm Water

Management Project, the irrigation

canal stretches 3,315 meters and

benefits more than 330 families.

The reconstruction cost was about

6.7 million afghanis (about \$96,500).





- Farmers in a village in Herat Province have seen a boost in their harvests thanks to a rehabilitated irrigation system and by adopting best practices in water usage.
- These are some of the positive outcomes of the On-Farm Water Management Project, which undertook the rehabilitation of the village irrigation canal.
- The project, implemented by the Ministry of Agriculture, Irrigation and Livestock, works to improve agricultural productivity by enhancing the efficiency of water use.

**ENJIL DISTRICT, HERAT PROVINCE**—Haji Abdul Karim, 57, soaks his scarf in water and puts it on his head to cool himself on this hot day. He walks toward a canal intake gate and clears the canal of trash and shovels the gravel out from its bottom. He is tasked to inspect the irrigation canal daily to make sure it is clear and free of leaks.

“In the past, there were 70 people assigned daily in the winter to clear the canal and prepare it for irrigation,” says Haji Abdul Karim. “Now I am the only person responsible for cleaning and taking care of the canal. There is no need for scores of people to clear it anymore.” Every month one of the villagers volunteers to clean the canal.

Haji Abdul Karim is a farmer in Kushk-e-Baad-e-Saba village in Enjil district in Herat Province. He cultivates mainly wheat on his farm of 20 *jeribs* (40,000 square meters). Before the canal’s reconstruction, Haji Abdul Karim and his fellow villagers were able to irrigate only a part of their land because of water wastage.

Villagers blocked the flow of water with sandbags to divert the water to their own farmlands. This became a lengthy process in which much of the water was wasted. Today, it only takes a few minutes to open or close one of the newly built metal intake gates along the canal to direct water toward a tract of farmland, preventing any water loss along the way.

Kushk-e-Baad-e-Saba village has 1,900 *jeribs* of arable farmland, although village farmers were able to cultivate and irrigate only 815 *jeribs* of land in the past. The rehabilitation of the irrigation system has increased the area of arable land to 974 *jeribs*. “My crops suffered and I could only cultivate half of my land,” recalls farmer Mohammad Yasin, 75. “Now I can easily

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*Our economic conditions have improved.*

*We earn enough to put food on our tables and do not depend on anyone else.*

—Mohammad Yasin  
Farmer  
Kushk-e-Baad-e-Saba village

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irrigate all 15 *jeribs* of land. Our economic conditions have improved. We earn enough to put food on our tables and, with God’s help, do not depend on anyone else.”

The reconstruction project, which included the building of the intake gates, in Kushk-e-Baad-e-Saba village took 10 months to complete and was finished in

September 2014. Built by the **On-Farm Water Management Project (OFWMP)**, the canal stretches 3,315 meters and benefits more than 330 families. The reconstruction cost was about 6.7 million Afghanis (about \$96,500).

With a \$25 million grant from the Afghanistan Reconstruction Trust Fund, OFWMP works to improve agricultural productivity in project areas by enhancing the efficiency of water use. It is implemented by the Ministry of Agriculture, Irrigation, and Livestock (MAIL).

The project aims to support on-farm water management investments in five regions—Kabul, Baghlan, Herat, Nangarhar, and Balkh Provinces—covering a total of 19,000 hectares. OFWMP has implemented 35 projects in western Afghanistan, especially in Herat Province, since it began operating in 2011.

#### ADOPT BEST PRACTICES

OFWMP also trains farmers on best practices in irrigating their farmlands to ensure the proper use of the irrigation system. After a canal is built or rehabilitated, one of the fields in the village is leveled to demonstrate best practices in leveling farmland and facilitating better and faster irrigation.

“We used to dig deep runnels that made it difficult for our crops to get proper irrigation. Some parts of our land were over irrigated while other parts were left dry,” says Mohammad Yaqoub, 45, head of the irrigation association in Kushk-e-Baad-e-Saba village. “The training taught us how to level our farmlands, which resulted in equal irrigation to all parts.”

The rebuilt canal and training have allowed villagers to spend less time and energy on irrigation. “In the past, I could only irrigate my farmland once every 25 days and



it took three hours for all of my land to be irrigated,” says 51-year-old Bismellah. “Now I can take my turn every eight days and it takes only 90 minutes for my farmland to be completely irrigated. At the same time, the harvest from my crops has increased from 320 kilograms of wheat per jerib of land to 380 to 400 kilograms.”

### ENSURE SMOOTH FUNCTIONING

To ensure the smooth running and maintenance of rehabilitated irrigation systems, the Irrigation Directorate of MAIL through OFWMP has established Irrigation Associations (IA) in the villages it covers.

Villagers who use the irrigation canal are members of the association. The executive board of the association comprises seven to ten villagers who are elected every four years and work on a voluntary basis. Each association is registered with the Irrigation Directorate of MAIL and has its own bank account.

The association resolves agricultural problems in the village, including water-related conflicts. It is responsible for ensuring that water is fairly distributed to all farmlands. The association keeps a log book that has land details of every farmer and the amount of water their land requires. “The

association plays the role of a mediator when villagers have arguments over the water timetable,” says Haji Abdul Karim.

The cost of maintenance was another issue of concern previously. “Before the association was established, villagers argued about the amount they should pay to take care of the canal,” Haji Abdul Karim says. The issue was resolved by having every member pay 50 afghanis (about 70 cents) for every jerib (2,000 square meters) of farmland annually, which go toward maintenance of the rehabilitated irrigation canal.



# ARTF RECURRENT COST WINDOW

**THIS SECTION PROVIDES A SUMMARY** of the recurrent cost financing under the ARTF, as monitored by the Monitoring Agent under World Bank supervision. The ARTF, through its Recurrent Cost Window, finances a share of government salaries and wages of nonuniformed civil servants and the government's operating and maintenance expenditures outside of the security sector.

This section covers the final monitoring results for the quarters of FY 1394. The abstract of the FY 1394 MA report is provided. The local monitoring personnel of the Monitoring Agent were able to visit 32 out of 34 provinces for review of FY 1394 expenditures. Paktika and Nooristan provinces were not visited for monitoring of FY 1394 expenditures due to security concerns. The expenditures in these two provinces represent only around 1.36 percent of government expenditures and will not significantly impact the overall conclusions drawn by the MA.

The MA has concluded that 44.8 million afghanis (equivalent \$729 million) from the total expenditure of 72.9 million afghanis (equivalent to \$1.187 million) is eligible for reimbursement. This represents a headline eligibility rate of 61.45 percent, lower than the FY 1393 headline rate of 74.3 per cent.

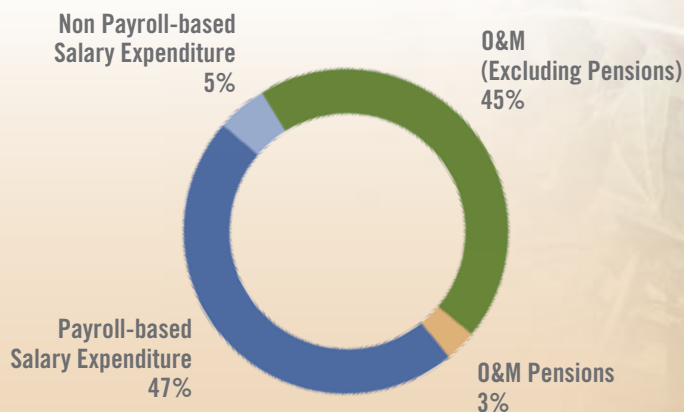
Of the total ineligibilities identified during our annual testing, the transactions related to the types of expenditure are shown in Figure 4.

## TESTING RESULTS AND HEADLINES

**THE MAIN REASONS** for ineligible expenditure are listed below in order of precedence:

- non-compliance with procurement procedures (36.30 percent);
- authorized approval of documents not available (16.60 percent);
- delay in booking of expenditures (14.05 percent); and
- documents not made available for review (10.27 percent).

**FIGURE 4: INELIGIBILITY BREAKDOWN BY EXPENDITURE TYPE, FY 1394**



## EXPENDITURES AND ELIGIBILITY RESULTS

**THE GOVERNMENT OF AFGHANISTAN** has submitted a total expenditure of \$10.434 billion for reimbursement up to FY 1394. The World Bank has approved \$7.401 billion up to FY 1394, representing an accumulative approval rate of around 70.91 percent since the inception of the ARTF.

Approval rates for each fiscal year since the ARTF started are shown in Table 11.

There was gradual improvement in eligibility rates over the years 1391 to 1393, partly due to improved compliance with procurement procedures and stronger results for payroll transaction. However, the ineligibility

rate has declined sharply in FY 1394 for the following key reasons:

- non-compliance across all expenditure categories caused by improper authorization of expenditures;
- delayed posting of expenditures to the Afghanistan Financial Management Information System (AFMIS) outside the three-month allowable period;
- variances between supporting documentation and payment documentation; and
- supporting documents not being available for review.

The ineligibilities are calculated based on two types of review undertaken by the MA:

- statistical sampling is undertaken to select a sample of expenditure trans-

actions for the MA's local personnel to review; testing is performed on site. Due to the rigorous selection procedure, the results can be extrapolated to draw conclusions for the whole population; and

- work is performed on government caps for headcount within ministries. Specific testing is undertaken on these caps to ensure compliance.

The two main types of recurrent expenditure in Afghanistan are Payroll Expenditure and O&M Expenditure. Figure 5 presents an analysis of expenditure between these two categories and Figure 6 shows the allocated budget and actual expenditure for the main recurrent cost types for FY 1394 (shown on the following page).

TABLE 11: EXPENDITURES SUBMITTED AND APPROVAL RATES, FY 1381 TO FY 1394

| FISCAL YEAR  | EXPENDITURES SUBMITTED<br>% BY MOF TO MA (\$ MILLION) | EXPENDITURES APPROVED<br>BY MA AND<br>WORLD BANK (\$ MILLION) | APPROVAL      |
|--------------|---|---|---------------|
| 1381         | 130   | 115   | 88.36%        |
| 1382         | 421   | 153   | 36.36%        |
| 1383         | 284   | 248   | 87.13%        |
| 1384         | 332   | 269   | 80.89%        |
| 1385         | 428   | 355   | 82.85%        |
| 1386         | 503   | 400   | 79.53%        |
| 1387         | 675   | 405   | 60.06%        |
| 1388         | 791   | 625   | 78.95%        |
| 1389         | 972   | 709   | 72.94%        |
| 1390         | 1,241   | 896   | 72.19%        |
| 1391         | 930   | 650   | 69.28%        |
| 1392         | 1,288   | 913   | 70.31%        |
| 1393         | 1,252   | 934   | 74.37%        |
| 1394         | 1,187   | 729   | 61.45%        |
| <b>TOTAL</b> | <b>10,434</b>   | <b>7,401</b>  | <b>70.91%</b> |

FIGURE 5: ANALYSIS OF ELIGIBLE EXPENDITURE BY CATEGORY, FY 1381–1394

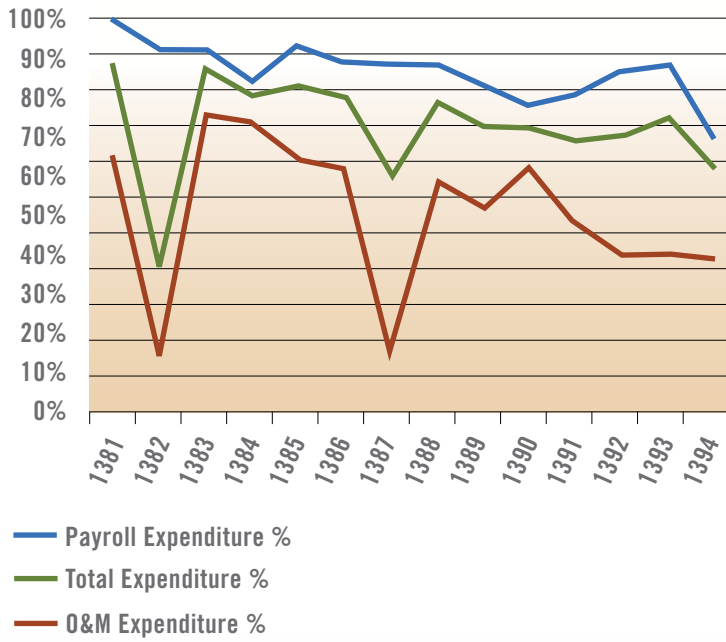
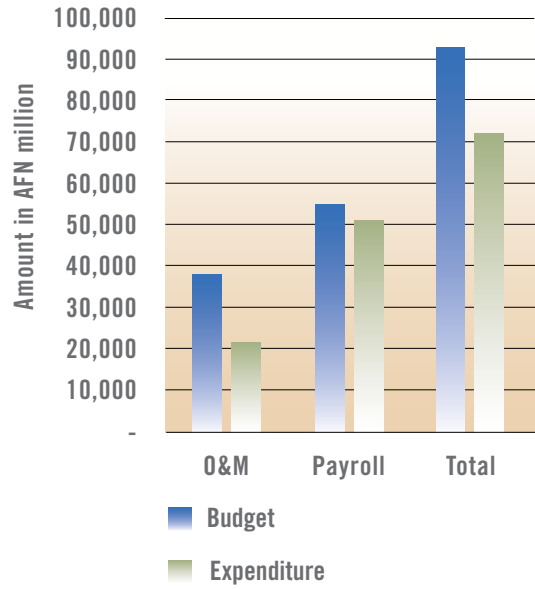


FIGURE 6: ELIGIBLE BUDGET AND EXPENDITURE, FY 1394



## ARTF ELIGIBILITY CRITERIA

### GOVERNMENT REGULATIONS

#### The Annual Budget Decree

Since the ARTF provides budget support to the government, expenditures are eligible only if they are included in the yearly budget. The ARTF's share of financing for the yearly budget was approved by the ARTF Management Committee.

#### Other

All goods and services must be procured and accounted for in accordance with government law and regulations. If an expenditure does not comply with local regulations, it cannot be considered eligible for financing by the ARTF. It is important to note that the Public Procurement Law of Afghanistan allows for procurement to conform to donor requirements (article 4, sub. 2).

### ARTF GRANT AGREEMENT

All military and security-related expenditures are ineligible for financing.

## EXPENDITURE BY CATEGORY

**AN AFMIS REPORT** was generated on March 28, 2016, after all final postings had been made by the MoF and the financial systems had been closed. The report shows total potentially eligible expenditure of 72.9 million afghanis (equivalent to \$1.187 million). The MA uses this report to ascertain the completeness of the reports from which we selected our samples. As part of the final extrapolation, the AFMIS report is also used to confirm that our sample is representative of the type, value, and location of expenditure transactions.

Central government ministries in Kabul disbursed 44 percent of total expenditure, while 56 percent of the expenditure was made at provincial level. This is not dissimilar to previous financial years.

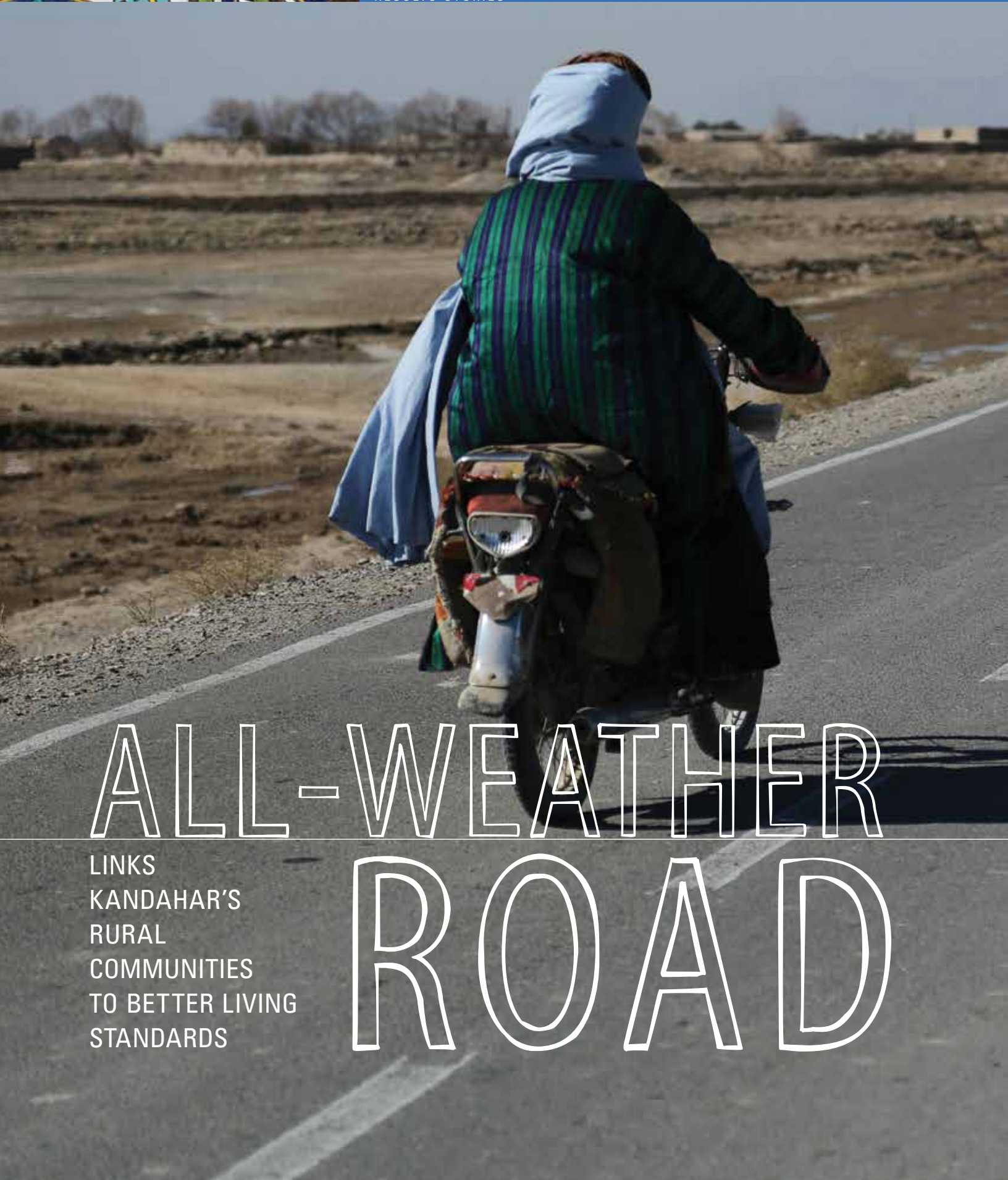
The Ministry of Education continues to be the largest recipient of ARTF funding through the Recurrent Cost Window, receiving 41.6 percent of eligible government expenditure, again consistent with previous reporting years. Table 12 shows expenditure incurred for the five largest ministries.

## EXPENDITURES AND ELIGIBILITY

**THIS SUBSECTION COVERS** government expenditure that could be eligible for reimbursement through the ARTF. ARTF finances recurrent cost expenditures that meet the criteria set by the government, the ARTF Grant Agreement, and Fiduciary Standards (additional requirements agreed to by the Ministry of Finance and the Administrator). The criteria for eligibility are set out in the box to the left.

TABLE 12: EXPENDITURE BY MINISTRY, FY 1394

| (AMOUNT SHOWN IN AFN MILLION)   | TOTAL BUDGET  | TOTAL EXPENDITURE | % OF TOTAL EXPENDITURE | BUDGET EXECUTION RATE % |
|---|---------------|-------------------|------------------------|-------------------------|
| Ministry of Education   | 30,641        | 30,325            | 41.60%                 | 98.97%                  |
| Ministry of Labour, Social Affairs, Martyrs, and Disabled             | 17,988        | 4,287             | 5.90%                  | 23.83%                  |
| Ministry of Higher Education  | 4,792         | 4,730             | 6.40%                  | 98.70%                  |
| Office of Administrative Affairs and Council of Ministers Secretariat | 4,468         | 2,792             | 3.80%                  | 62.47%                  |
| Ministry of Finance   | 3,886         | 3,622             | 5.00%                  | 93.22%                  |
| Other Ministries/Spending Entities                                    | 31,818        | 27,173            | 37.26%                 | 85.40%                  |
| <b>TOTAL</b>  | <b>93,593</b> | <b>72,929</b>     | <b>100%</b>            | <b>77.92%</b>           |



# ALL-WEATHER ROAD

LINKS  
KANDAHAR'S  
RURAL  
COMMUNITIES  
TO BETTER LIVING  
STANDARDS

- Residents of a cluster of rural communities in Kandahar Province are seeing tangible benefits from the construction of an all-weather road linking their villages to the provincial capital.
- The construction of the road was carried out under the Afghanistan Rural Access Project (ARAP), implemented by the Ministry of Rural Rehabilitation and Development.
- ARAP seeks to benefit rural communities by improving access to essential services and facilities through all-weather roads.

Thousands of villagers are benefiting from the all-weather road, which is providing them faster access to essential services.

**D**AND DISTRICT, KANDAHAR PROVINCE—Sunlight penetrates the cracks between patches of dark clouds, lighting half of Deh Ghulaman village. Sayed Mohammad, 45, sits on a small rug and leans against a wall, watching a tractor plow the field. A bit further on, a young man is sowing seeds.

Sayed Mohammad, a farmer in Deh Ghulaman village, is thankful that life has improved because he now enjoys a better income and quicker access to essential services and facilities. This he attributes to the construction of an all-weather road connecting his village and three others to Kandahar city, the provincial capital. “Thank God, our village road is now paved and, as a result, our situation has improved,” he says.

The farmers in these villages are no longer in the hands of middlemen, selling their produce directly in the markets instead. “In the past when the road was unpaved, we could not take our agricultural products to the market in time,” says Sayed Mohammad.

“Shopkeepers used to come to the village and buy our products at half the market price. Now we go to the market ourselves and sell them at the market price.”

The road, paved in 2013, passes through the villages of Deh Ghulaman, Rohabad, Rawani, and Khaaja Ali. Together these four villages are known as Chahr Deh and are located southeast of Dand district in Kandahar city. The road connects Chahr Deh with the center of Kandahar city, the provincial capital of Kandahar Province, 20 kilometers away.

Not only has the all-weather road helped improve the economic situation of the local population, it has also helped save lives. Sayed Mohammad recalls a tragic incident before the road was paved. “One day, when the road was bumpy and unpaved, we had a sick person who required urgent medical care,” he says. “We decided to take him to the health center by tractor. Unfortunately, the tractor took a long time to reach the health center and the patient lost his life along the way.”

## FASTER ACCESS TO ESSENTIAL SERVICES

Today, Chahr Deh residents have faster access to health care and other essential services. Since the construction of the all-weather road, residents can travel easily and quickly to a health center in nearby Rawani village. The villages have seen an increase in traffic since the road was paved.

The construction of the all-weather road, which took four months to complete, was built at a cost of 28 million afghanis (about \$408,000) under the **Afghanistan Rural Access Project (ARAP)**, implemented by the Ministry of Rural Rehabilitation and Development. The project paved the 4.5-kilometer long and 5-meter wide road and built half-meter sidewalks on each side as well as 11 culverts.

ARAP is a follow-on project of the National Emergency Rural Access Program (NERAP). It is supported by the International Development Association, the World Bank Group’s fund for the poorest countries, and



In the past when the road was unpaved, farmers could not take their agricultural products to the market in time, now they go to the market themselves and sell their produce at market prices.



The road passes through the four villages known collectively as Chahr Deh, located southeast of Dand district in Kandahar city. The road connects Chahr Deh with the center of Kandahar city, the provincial capital of Kandahar Province, 20 kilometers away.

Afghanistan Reconstruction Trust Fund. It aims to benefit rural communities across Afghanistan by improving access to basic services and facilities through all-weather roads. The project is expected to increase the number of people living within 2 kilometers of all-weather roads, reduce travel time to essential services, and enable rural communities to access these services more frequently.

ARAP's Kandahar zone covers the provinces of Kandahar, Helmand, Nimroz, Uruzgan, and Zabul. In Kandahar Province alone, several road sections have been paved, connecting Panjwayi, Daman, Arghandab, and Dand districts to Kandahar city.

### VILLAGERS ENJOY MULTIPLE BENEFITS

The 16,000 residents of the Chahr Deh villages have benefited directly from the all-weather road, while indirect beneficiaries include the 150,000 residents of Dand district.

*Our village road is*

*now paved and, as a*

*result, our situation*

*has improved.*

—Sayed Mohammad  
Farmer  
Deh Ghulaman village

Mohammad Moosa, 65, an elder in Deh Ghulaman village, points out the many positive impacts the road has on the lives of residents. “One example is the shuttle fare, which has decreased from 200 afghanis to 120 afghanis, a 40 percent drop,” he says. He also adds that Chahr Deh villagers, who are mostly farmers, have been able to expand the types of crops they grow because transport to the markets has become much easier. Farmers in Chahr Deh grow crops, such as wheat, grapes, pomegranate, melon, and watermelon.

Paving Chahr Deh Road has also benefited students at Brak Nika High School, which is located on the road. Previously, muddy routes to the school and the dusty air in the dry season denied the students an environment conducive to studying and learning, issues that have now been resolved.

# INVESTMENT WINDOW SUPERVISORY AGENT

**THE INVESTMENT WINDOW** Supervisory Agent (SA) continued to carry out on-site monitoring of physical progress, quality of construction, and usage of physical investments for selected projects supported by the ARTF to enhance portfolio monitoring and reporting.

In November 2015, the World Bank contracted the second Supervisory Agent for a three-year period to conduct third party monitoring (TPM) on five of the government's national projects, including the Education Quality Improvement Program, Afghanistan Rural Access Program (ARAP), National

Solidarity Programme, Irrigation Restoration and Development Project (IRDIP), and the On-Farm Water Management Project (OFWMP). The SA is contractually obligated to annually conduct 1,900 unique monitoring and verification missions to ARTF subproject sites distributed across all 34 provinces.

## 2016 PROGRAM HIGHLIGHTS

**NOVEMBER 2015 TO OCTOBER 2016** marked the fifth year (Year V) of the SA monitoring activities under the ARTF Monitoring Program. The SA was also tasked by the World Bank to identify and utilize Citizen Monitors on select ARAP, EQUIP, IRDP, and OFWMP subprojects to complement and verify field engineer findings with follow-up observations. The SA conducted a total of 1,967 site visits to ARTF subprojects, and also complemented and verified TPM findings with 1,277 unique observations from 62 trained and vetted Citizen Monitors at 62 selected ARTF subprojects in 20 provinces.

### AFGHANISTAN RURAL ACCESS PROGRAM

**THE SA REPORTED** 188 deviations on ARAP subprojects: 136 deviations on subprojects managed by the Ministry of Public Works (MoPW) and 52 deviations on subprojects managed by the Ministry of Rural Rehabilitation and Development (MRRD).

A total of 121 MoPW deviations were related to workmanship and material quality, seven deviations to design quality, and the remaining eight were maintenance-related issues under the Defect Liability Period. The MoPW corrected 28 construction quality deviations (21 percent of total deviations) that were critical in nature.

The 52 deviations reported on MRRD subprojects included 38 issues related to workmanship and material quality, 13 to design, and one to maintenance. The MRRD corrected five deviations that were related to construction quality and critical in nature.

### RECOMMENDATIONS

- Unsuitable materials with too high plasticity or water content were used in subgrade and sub-base construction, preventing full compaction. Either the material needs to be replaced with properly graded materials or mitigation measures need to be instituted to stabilize the material.

- The SA observed 113 road subprojects with poor quality side drains. ARAP contractors have to pay more attention to side drain construction, as many road surfaces were damaged or washed out as a result of poor quality.
- Low quality material for maintaining road wearing courses was also observed at 13 subprojects. Substandard materials adversely affect the success of periodic maintenance. Proper material testing should also be conducted on aggregate, concrete, mortar, and steel prior to their use.
- Environmental and Social Management Plans (ESMP) were available at only 26 percent of the ongoing sites monitored. The SA acknowledges that ESMPs are part of the contract documents. Although they should have been prepared and handed over to the contractor, 74 percent of the subprojects sites that were monitored did not have an ESMP and, on many occasions, the contrac-

tor did not know about it. The MoPW and MRRD should ensure that ESMPs are available during the construction phase and that they are followed.

- There is a greater need to focus on gender participation. Consultations with women occurred at only a quarter (25 percent) of the ongoing subprojects, and no site was found to have available documentation on female consultation. The ministries should ensure that there is genuine participation by women during the planning phase at all subprojects and that documents are properly maintained.

## EDUCATION QUALITY IMPROVEMENT PROGRAM

**THE SA REPORTED 87 DEVIATIONS** on 750 EQUIP subprojects that were monitored during Year 1. This included 75 deviations related to workmanship and material quality, eight to survey and design, and four to electrical receptacles. Out of these 87 reported deviations, 61 (70 percent of the total) were on old Community Contracted buildings. The new National Competitive Bidding constructions were generally of good quality. The Infrastructure Service Department–Ministry of Education (ISD–MoE) submitted 26 corrective action photos, but none appeared to be connected with the original deviations or had the mandatory GPS coordinates.

### RECOMMENDATIONS

- EQUIP subproject implementers need to pay more attention to environmental, gender, and social safeguard issues. Non-compliance was mainly due to the fact that budgets were not allocated in contractor Bill of Quantities.

- Education Management Information System data provided by the MoE was out of date and resulted in large variances in student and teacher attendance data collected by the SA in the field.

- All ISD field staff should be equipped with smart phones and a mobile data collection system for accurate and efficient quality assurance and reporting.

- Too many contracts were awarded to a single contractor, and this sometimes delayed subproject execution. Contracts should be awarded with consideration for a contractor's capability (financial and technical) to deliver the subproject in a timely fashion with good quality workmanship.

- Use of substandard materials for electrical systems, circuitry receptacles, and door and window hardware was frequently observed by the SA. Electrical specification (brand, model, etc.) should be included in contract documents so that good quality can be ensured.

## IRRIGATION RESTORATION AND DEVELOPMENT PROJECT

**THE SA REPORTED 52 DEVIATIONS** at 99 IRDP subprojects, which included 13 deviations at hydrological and metrological stations, with the remaining 39 on canals. A total of 46 deviations were related to workmanship and material quality, while the remaining six were related to design issues. The Ministry of Energy and Water (MEW) corrected 15 deviations (29 percent of the total deviations); three were related to design and 12 to construction quality. All deviations reported on metrological and hydrological stations have not been resolved.

### RECOMMENDATIONS

- The SA was informed by the MEW and Ministry of Agriculture, Irrigation and Livestock (MAIL) that contracts are awarded to bidders who tender the lowest costs, without giving greater weight to technical qualifications and past performance. The SA has mechanisms to provide information about the highest and lowest performing contractors/Facilitating Partners for each project. However, the ministries are not using the data optimally to prevent contractors from winning a new contract if they did not perform well in the past.

- At 29 subproject sites, contractors claimed that material testing was done, but no results were provided to validate the claim. It is important that material testing is institutionalized to ensure appropriate material quality is used in each ARTF subproject.

- Mortar/concrete was mixed by hand at most sites that were monitored, which should be strictly prohibited as outlined clearly in the contract documents. Manual concrete mixing results in rough finishing, as well as segregation and concrete spalling.

## NATIONAL SOLIDARITY PROGRAMME

**THE SA REPORTED 142 DEVIATIONS** on 404 NSP infrastructure subprojects. Of these 142 deviations, 27 were not rectifiable (for example, design deficiency, expansion joint or contraction joint was missing) and those were considered “lessons learned”. Of the remaining 115 deviations, 102 were related to workmanship and material quality, 11 deviations to O&M issues, and two to design. The MRRD submitted 16 corrective photos

(14 percent of the total rectifiable deviations reported): two corrective actions for O&M and 14 for construction quality.

## RECOMMENDATIONS

Only one out of 188 Maintenance Cash Grants (MCGs) subprojects monitored had a female employee. Although the MCG Operation Manual focuses on poor community members without having any mandate on gender participation, the Provincial Management Units (PMUs) should encourage Community Development Councils to mobilize more women to take advantage of MCG schemes.

## ON-FARM WATER MANAGEMENT PROJECT

**THE SA REPORTED 249 DEVIATIONS** on 97 OFWMP subprojects, including 51 deviations related to environmental, gender, and social safeguard issues, 29 to O&M issues (e.g., canal lining filled with debris, cleaning work required, lid and panel of turnout structure not available), 85 to design and the approval system (e.g., constructed stone masonry wash structure not specified in the design drawings, culvert location changed from the designed distance from intake), and 89 to workmanship and material quality.

The design deviations were mostly related to the lack of MAIL approval because the design was changed to meet site specific needs, but no approval was obtained or provided prior to the monitoring visit. The MAIL corrected 30 deviations (12 percent of the total reported deviations), including 13 related to environmental, gender, and social safeguards, four to O&M issues, eight to design and five to critical construction quality.

## RECOMMENDATIONS

- Low quality stones were used on subprojects observed in Balkh, Samangan, and Jawzjan Provinces. The issue was raised several times by the SA, but the OFWMP team continues to design stone masonry canal lining in these provinces. If good quality stones are not available in these areas, then rectangular or trapezoidal lining consisting of unreinforced concrete should be considered.
- Irrigation Associations collected a total of 1.1 million afghanis on 97 canals that were monitored in Year I. The money is collected for regular canal repair and maintenance. However, the associations were not able to use these funds from the O&M committees due to the lack of O&M plans. There is a need to constitute an O&M Committee at each scheme in order to develop an O&M plan for proper and timely canal repair and maintenance.





# YEAR II THIRD PARTY MONITORING GOALS

**IN YEAR II**, the SA will conduct at least 1,908 subproject visits distributed between six ARTF projects across all 34 provinces (including the Afghanistan Power System Development Project, APSDP). Figure 5 illustrates the Year II distribution of subprojects to be monitored by the SA.

While ARAP, EQUIP, IRDP, and OFWMP will follow the Year I ToR for environmental, gender, infrastructure, and social safeguard monitoring goals, the SA’s NSP monitoring goals for Year II have been modified as follows:

- Monitor 32 NSP III block grant subprojects.
- Monitor 200 NSP III subprojects with implemented Maintenance Cash Grants.
- Monitor 34 PMU fiduciary management systems twice annually, as well as the accuracy of NSP’s data collection and monitoring systems (same as in Year I).
- Monitor 400 Citizens’ Charter Afghanistan Project sites.
- Support the World Bank’s “forced displacement team” by creating a geo-spatial database containing informa-

tion on refugee returnees and internally displaced persons (IDPs) with support from humanitarian agencies and government ministries to: (a) identify which rural and urban areas they are settling into; (b) expand on existing information to understand the data collection methodology and any issues related to it; and (c) use the existing project databases by mapping out the services currently being delivered by the various World Bank-funded projects in those areas.

Additional monitoring initiatives to be conducted by the SA in Year II include:

**Third Party and Participatory Monitoring**

- Conduct eight site visits to APSDP sites in Charikar, Gulbahar, Jabul-es-Seraj, and Pul-e-Khumri.
- Continue participatory monitoring at ARAP, EQUIP, IRDP, and OFWMP subprojects.
- Expand Participatory Monitoring crowdsourcing to four more provinces.

**Remote Monitoring**

- In coordination with ARTF implementation teams and government ministries,

conduct field testing of aerial and sensor-based remote monitoring systems at select ARAP, IRDP, and OFWMP subprojects.

**Capacity Development**

- Conduct mobile data collection and data management training at all government ministries.
- Government ministry representatives will be trained in Kabul and in the field on how to operate and maintain the remote monitoring systems developed by the SA.

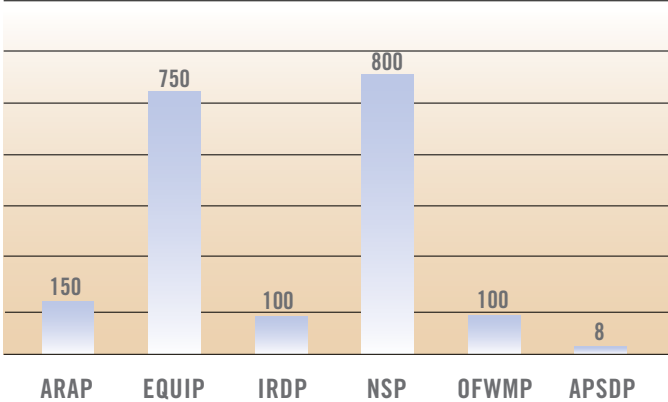
**Material Testing**

- The SA will conduct 50 material tests at select ARTF subproject sites and at the SA material testing laboratory in Kabul. The SA will also inspect and report on government ministry material testing laboratories funded by the World Bank.

**Female Enumerators**

- The SA will engage nine regional female enumerators in Bamyan, Mazar, and Kandahar to collect gender data.

**FIGURE 7: YEAR II SA SITE VISIT TARGETS**



# KABUL MUNICIPAL DEVELOPMENT PROGRAM

URBAN RESIDENTS BENEFIT FROM CLEAN ENVIRONMENT AND COMMUNITY OWNERSHIP AFTER ROAD IMPROVEMENTS

- Infrastructural improvements in a Kabul city neighborhood have resulted not only in a clean environment but also a strong sense of civic pride.

- The neighborhood's residents are among the more than 300,000 people who have benefited from road and drainage upgrades under the Kabul Municipal Development Program.

- The program aims, among other objectives, to increase access to basic municipal services and support better service delivery.

- About three quarters of the project beneficiaries are women and children.

*The lanes are paved and clean and people pay more attention to their health and the environment.*

—Khair Mohammad, Resident, Khoja Boghra neighborhood, Kabul



**K**ABUL CITY, KABUL—Schoolchildren are walking briskly down the clean paved lane on their way home from school. Amruddin, 70, walks among them, holding the hand of his 10-year-old grandson. He is walking from the Khoja Boghra roundabout intersection toward his home, where he has lived for 35 years on a lane by the Danish Bus Stop in the Khoja Boghra neighborhood of Khair Khana, 3rd part, Kabul.

He walks down the smoothly paved lane, talking with his grandchild. “I no longer worry about my grandchild because he will not be stuck in mud and dirty his clothes anymore,” Amruddin says. “In past summers, there was always a bad smell in the lane due to blocked drainage ditches, and in the winter, the lane would turn muddy with snow and rain.”

Both the mud and the bad smell disappeared when the lanes were paved and a proper drainage system was put in place by the **Kabul Municipal Development Program (KMDP)**. “I used to wear a pair of boots every time I came out,” says Amruddin. “But I do not need them anymore.”

All the lanes in the Khoja Boghra neighborhood have been paved with concrete, benefiting more than 10,000 residents. The concrete lanes and improved road drainage system have contributed to a cleaner environment in Khoja Boghra. In addition, KMDP has provided cleaning equipment to three cleaners recruited by the local community development council. The cleaners are paid monthly by the local residents to maintain the lanes.

Resident Khair Mohammad, 28, noted that the clean environment has become a healthier one too. “My children got malaria because of the dirt that was dumped in the lane,” he says. “Now that the lanes are

paved and clean, people pay more attention to their health and the environment. Our lanes are no longer a safe haven for flies and other insects.”

## WOMEN AND CHILDREN ARE MAIN BENEFICIARIES

Work in Khoja Boghra took about a year, finishing in 2016. During that time, KMDP installed 13 kilometers (km) of drains and paved 64 lanes, totaling 11 km. KMDP is implemented by the Kabul Municipality to, among other initiatives, improve street conditions in neighborhoods, such as Khoja Boghra.

With a \$110 million grant from the Afghanistan Reconstruction Trust Fund, KMDP aims to increase access to basic municipal services in selected residential areas of Kabul city; redesign Kabul Municipality’s Financial Management System to support better service delivery; and enable early response in the event of a relevant emergency.

KMDP is expected to benefit over 770,000 people through services provided in some 1,770 hectares of government-owned land in Kabul city. More than 310,000 people have benefited directly (over 100,000 from upgraded roads and more than 210,000 from trunk roads) and over 76,000 indirectly from KMDP projects, including students and staff of several schools and institutions of higher education. About three quarters of the beneficiaries are women and children. In addition, more than 1.3 million man-days of temporary employment have been generated.

To date, some 618 hectares have been upgraded, reaching almost 34 percent of the targeted area. Within 18 months of implementation, KMDP has built about 17 km of trunk roads for \$3.9 million and upgraded some 618 hectares of settlements for \$15.6

million. The upgraded areas have benefited from the construction of some 200 km of neighborhood roads, and about 272 km of community drains. Work has been executed to high standards, as the technical designs are subject to quality assurance and quality control procedures on par with international standards.

## IMPROVED SENSE OF COMMUNITY

Although many Khoja Boghra residents have lived alongside each other for 35 years, they were not well connected by road before the upgrade to the area. The community development council formed by KMDP have not only facilitated the implementation of the project, but have also led to an increased sense of community among residents.

As resident representatives participate in the council meetings, they have learned more about each other and have developed strong relationships and a sense of community. “I did not know all my neighbors and the level of trust among us was low,” says Saida, 17, a resident. “We all know each other well now and this has increased trust among us and reduced contention.”

Residents also exchange and share their views on relevant issues, and take pride in their neighborhood. “Both men and women expressed their opinions during the implementation of the project,” says Saida. “They also monitored implementation, which improved the quality of the work done. Now people have put lights on their doors. This has made it easier and safer to walk through the lanes at night and has contributed to the overall safety of the neighborhood.”

# ANNEX 1: STATUS OF ARTF INVESTMENT PORTFOLIO

## STATUS AND RATINGS OF ACTIVE AND DISBURSING ARTF INVESTMENT PROJECTS AS OF DECEMBER 2016 (Amounts in US\$ million)

|   | Approved Grant Amount | Amount Disbursed | Amount Available | Start Date | Closing Date | Current Grant Objectives Rating | Current Implementation Rating |
|---|-----------------------|------------------|------------------|------------|--------------|---------------------------------|-------------------------------|
| Second Public Financial Management Reform Project - TF010024                  | 114.13                | 87.44            | 26.68            | 09-Aug-11  | 30-Jun-17    | MS                              | MS                            |
| Capacity Building for Results Facility Project (CBR) - TF011447               | 100.00                | 50.14            | 49.86            | 21-Jan-12  | 31-Dec-17    | MS                              | MS                            |
| Irrigation Restoration and Development Project - TF012029                     | 118.40                | 23.07            | 95.33            | 14-Mar-12  | 31-Dec-17    | MS                              | MS                            |
| Justice Service Delivery Project - TF012533                                   | 25.00                 | 17.06            | 7.94             | 31-May-12  | 01-Jun-17    | MU                              | MU                            |
| Afghanistan Rural Access Project (ARAP) - TF013093                            | 207.00                | 145.93           | 61.07            | 15-Sep-12  | 31-Mar-18    | S                               | S                             |
| National Horticulture and Livestock Project - TF013820                        | 190.00                | 79.95            | 110.05           | 22-Dec-12  | 31-Dec-18    | S                               | S                             |
| Afghanistan Resource Corridors Project - TF014845                             | 2.70                  | 2.57             | 0.13             | 29-May-13  | 31-Dec-17    | S                               | S                             |
| Afghanistan Agricultural Inputs Project - TF015003                            | 74.75                 | 18.24            | 56.51            | 30-Jun-13  | 30-Jun-18    | MS                              | MS                            |
| System Enhancement for Health in Transition Project (SEHAT) - TF015005        | 300.00                | 266.07           | 33.93            | 06-Oct-13  | 30-Jun-18    | MS                              | MS                            |
| Non Formal Approach to Training, Education and Jobs in Afghanistan - TF016354 | 15.00                 | 3.88             | 11.12            | 11-Apr-14  | 30-Dec-18    | MS                              | MS                            |
| CASA-1000 Community Support Project - TF017012                                | 40.00                 | 0.00             | 40.00            | 11-Apr-14  | 30-May-17    | S                               | S                             |
| Kabul Municipal Development Program (KMDP) - TF017016                         | 110.00                | 34.79            | 75.21            | 11-Apr-14  | 31-Dec-19    | S                               | S                             |

S – Satisfactory, MS – Moderately Satisfactory, MU – Moderately Unsatisfactory, U – Unsatisfactory



|   | Approved Grant Amount | Amount Disbursed | Amount Available | Start Date | Closing Date | Current Grant Objectives Rating | Current Implementation Rating |
|---|-----------------------|------------------|------------------|------------|--------------|---------------------------------|-------------------------------|
| Kabul Urban Transport Efficiency Improvement Project (KUTEI) - TF017061 | 90.50                 | 30.26            | 60.24            | 11-Apr-14  | 31-Dec-19    | S                               | MS                            |
| Power System Development Project - TF093513                             | 75.00                 | 58.45            | 16.55            | 19-Mar-09  | 31-May-17    | MS                              | MU                            |
| Second Education Quality Improvement Project - TF093962                 | 408.00                | 357.75           | 50.25            | 14-Apr-09  | 31-Dec-17    | MS                              | MU                            |
| Third Emergency National Solidarity Project - TF098459                  | 1107.26               | 1090.27          | 16.99            | 24-Jan-11  | 31-Mar-17    | S                               | S                             |
| On-Farm Water Management Project (OFWM) - TF099074                      | 70.00                 | 32.60            | 37.40            | 16-Mar-11  | 31-Dec-19    | S                               | S                             |
| Higher Education Development Project - TFOA0730                         | 50.00                 | 9.07             | 40.93            | 15-Sep-15  | 31-Dec-20    | S                               | S                             |
| Afghanistan Naghlu Hydropower Rehabilitation Project                    | 83.00                 | 6.17             | 76.83            | 19-Jan-16  | 30-Sep-22    | S                               | S                             |
| Afghanistan DABS Planning and Capacity Support Project                  | 6.00                  | 1.00             | 5.00             | 07-Mar-16  | 31-Jul-20    | S                               | S                             |
| Afghanistan Technical Assistance Facility - TFOA2839                    | 5.00                  | 0.40             | 4.60             | 18-Jul-16  | 30-Jun-20    | S                               | S                             |
| Project Preparation Grant - Digital CASA Afghanistan Project - TFOA2907 | 5.00                  | 0.00             | 5.00             | 09-Sep-16  | 31-Dec-17    | S                               | S                             |
| Support to the Afghanistan Independent Land Authority - TFOA1898        | 4.95                  | 0.50             | 4.45             | 09-Sep-16  | 30-Jun-18    | S                               | S                             |
| Urban Development Support Program (UDSP) - TFOA3425                     | 2.90                  | 0.00             | 2.90             | 07-Nov-16  | 21-Sep-17    | S                               | S                             |
| AREDP Additional Financing - TFOA3502                                   | 4.70                  | 3.25             | 1.45             | 07-Nov-16  | 30-Jun-17    | S                               | S                             |

S – Satisfactory, MS – Moderately Satisfactory, MU – Moderately Unsatisfactory, U – Unsatisfactory



# ANNEX 2: ARTF FINANCIAL TABLES

The Tables show the financial situation of the ARTF as of December 20, 2016. The financial Tables are updated monthly and are available at the ARTF website: <http://www.worldbank.org/artf>.

**TABLE A2.1 Actual and Expected Donor Contributions—Paid-In, Committed, Pledged (US\$ million), December 20, 2016**

| Donor                     | FY 1385       |               |               |               |               |               |               |               |               |               | FY 1392       |               |                |               |               |               |               |                |               |               | FY 1395       |               |               |                |               |               |                |               |            |            | FY 1381-95    |            | FY 1381-95 |  |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|----------------|---------------|------------|------------|---------------|------------|------------|--|
|                           | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in  | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in  | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in | Total Paid-in  | Total Paid-in | Total Paid-in | Total Paid-in  | Total Paid-in | % of Total | % of Total | Total Paid-in | % of Total |            |  |
| Australia                 | 0.00          | 2.63          | 6.27          | 7.65          | 5.84          | 2.09          | 31.44         | 14.99         | 28.49         | 89.47         | 6.03          | 62.36         | 74.88          | 13.29         | 18.92         | 0.00          | 0.00          | 18.92          | 1.4%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 364.37        | 3.7%          | 3.7%           | 364.37        | 3.8%       |            |               |            |            |  |
| Bahrain                   | 0.00          | 0.50          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.50          | 0.0%          | 0.0%           | 0.50          | 0.0%       |            |               |            |            |  |
| Belgium                   | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 2.61          | 2.72          | 0.00          | 2.71          | 0.00          | 2.60          | 2.50           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 13.13         | 0.1%          | 0.1%           | 13.13         | 0.1%       |            |               |            |            |  |
| Brazil                    | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.20          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.20          | 0.0%          | 0.0%           | 0.20          | 0.0%       |            |               |            |            |  |
| Canada                    | 12.00         | 50.09         | 5.49          | 72.34         | 58.86         | 213.46        | 22.07         | 34.22         | 38.35         | 49.24         | 26.08         | 11.84         | 18.67          | 74.33         | 29.92         | 0.00          | 10.44         | 40.36          | 2.9%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 727.42        | 7.3%          | 7.3%           | 716.98        | 7.5%       |            |               |            |            |  |
| Czech Republic            | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.86          | 1.64          | 0.00          | 0.00          | 1.64           | 0.1%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 2.50          | 0.0%          | 0.0%           | 2.50          | 0.0%       |            |               |            |            |  |
| Denmark                   | 5.00          | 5.00          | 3.16          | 3.92          | 4.34          | 8.43          | 20.86         | 10.25         | 2.03          | 10.28         | 11.38         | 10.70         | 6.50           | 12.70         | 41.40         | 0.00          | 0.00          | 41.40          | 3.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 155.95        | 1.6%          | 1.6%           | 155.95        | 1.6%       |            |               |            |            |  |
| EC/EU                     | 15.87         | 52.72         | 47.60         | 58.77         | 52.72         | 73.62         | 11.31         | 14.19         | 25.52         | 9.44          | 34.79         | 39.55         | 76.19          | 12.29         | 139.42        | 53.48         | 69.54         | 262.44         | 18.9%         | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 787.01        | 7.9%          | 7.9%           | 663.99        | 7.0%       |            |               |            |            |  |
| Estonia                   | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.29          | 0.00          | 1.26          | 0.62           | 0.54          | 0.44          | 0.00          | 0.00          | 0.44           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 3.15          | 0.0%          | 0.0%           | 3.15          | 0.0%       |            |               |            |            |  |
| Finland                   | 2.79          | 2.45          | 5.95          | 0.00          | 2.42          | 5.40          | 7.91          | 8.86          | 7.82          | 9.90          | 11.10         | 13.30         | 12.35          | 9.98          | 11.29         | 0.00          | 0.00          | 11.28          | 0.8%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 111.52        | 1.1%          | 1.1%           | 111.52        | 1.2%       |            |               |            |            |  |
| France                    | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 5.13          | 5.72          | 5.56          | 0.00          | 5.17          | 5.52          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 27.09         | 0.3%          | 0.3%           | 27.09         | 0.3%       |            |               |            |            |  |
| Germany                   | 10.07         | 11.44         | 15.94         | 1.23          | 20.47         | 55.99         | 74.00         | 50.85         | 64.52         | 78.40         | 78.16         | 55.01         | 75.26          | 0.00          | 76.38         | 72.65         | 0.00          | 149.04         | 10.7%         | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 667.73        | 7.4%          | 7.4%           | 667.73        | 7.0%       |            |               |            |            |  |
| India                     | 0.20          | 0.20          | 0.00          | 0.40          | 0.20          | 0.20          | 0.19          | 0.20          | 0.20          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.01          | 0.00          | 0.01           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 1.81          | 0.0%          | 0.0%           | 1.79          | 0.0%       |            |               |            |            |  |
| Iran, Islamic Republic of | 0.00          | 0.99          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.99          | 0.0%          | 0.0%           | 0.99          | 0.0%       |            |               |            |            |  |
| Ireland                   | 1.00          | 1.70          | 1.81          | 0.61          | 1.28          | 1.46          | 1.58          | 2.78          | 2.54          | 1.37          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 16.12         | 0.2%          | 0.2%           | 16.12         | 0.2%       |            |               |            |            |  |
| Italy                     | 17.00         | 0.00          | 6.54          | 0.00          | 9.22          | 8.80          | 34.07         | 4.10          | 3.89          | 10.70         | 3.89          | 3.60          | 17.69          | 8.77          | 13.97         | 0.00          | 0.00          | 13.97          | 1.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 142.25        | 1.4%          | 1.4%           | 142.25        | 1.5%       |            |               |            |            |  |
| Japan                     | 5.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 20.00         | 138.00        | 110.00        | 70.00          | 60.14         | 63.65         | 0.00          | 0.00          | 63.65          | 4.6%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 466.80        | 4.7%          | 4.7%           | 466.80        | 4.9%       |            |               |            |            |  |
| Korea, Republic of        | 2.00          | 2.00          | 2.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 10.00         | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 16.00         | 0.2%          | 0.2%           | 16.00         | 0.2%       |            |               |            |            |  |
| Kuwait                    | 5.00          | 5.00          | 5.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 15.00         | 0.2%          | 0.2%           | 15.00         | 0.2%       |            |               |            |            |  |
| Luxembourg                | 1.00          | 0.00          | 0.00          | 0.61          | 1.56          | 1.07          | 1.14          | 1.14          | 1.11          | 0.97          | 0.00          | 0.67          | 0.48           | 0.30          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 10.04         | 0.1%          | 0.1%           | 10.04         | 0.1%       |            |               |            |            |  |
| Netherlands               | 33.67         | 41.15         | 46.41         | 29.66         | 50.81         | 39.76         | 39.46         | 41.90         | 32.66         | 32.57         | 32.48         | 23.78         | 24.91          | 22.23         | 22.15         | 0.00          | 0.00          | 22.15          | 1.6%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 513.61        | 5.1%          | 5.1%           | 513.61        | 5.4%       |            |               |            |            |  |
| New Zealand               | 0.00          | 0.00          | 0.00          | 0.00          | 0.63          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.63          | 0.0%          | 0.0%           | 0.63          | 0.0%       |            |               |            |            |  |
| Norway                    | 6.82          | 29.63         | 9.91          | 22.54         | 23.22         | 30.98         | 31.47         | 38.36         | 47.80         | 48.57         | 55.11         | 51.24         | 39.13          | 27.79         | 19.23         | 0.00          | 0.00          | 19.23          | 1.4%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 481.82        | 4.8%          | 4.8%           | 481.82        | 5.1%       |            |               |            |            |  |
| Poland                    | 0.00          | 0.00          | 0.00          | 0.00          | 0.29          | 0.27          | 1.17          | 1.20          | 1.00          | 1.40          | 1.26          | 0.59          | 0.00           | 0.61          | 0.49          | 0.00          | 0.00          | 0.49           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 8.28          | 0.1%          | 0.1%           | 8.28          | 0.1%       |            |               |            |            |  |
| Portugal                  | 0.00          | 0.46          | 0.73          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 1.18          | 0.0%          | 0.0%           | 1.18          | 0.0%       |            |               |            |            |  |
| Russian Federation        | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 2.00          | 2.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 4.00          | 0.0%          | 0.0%           | 4.00          | 0.0%       |            |               |            |            |  |
| Saudi Arabia              | 10.00         | 5.00          | 5.00          | 0.00          | 5.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 25.00         | 0.3%          | 0.3%           | 25.00         | 0.3%       |            |               |            |            |  |
| Spain                     | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 22.04         | 0.00          | 35.22         | 27.59         | 6.64          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 91.50         | 0.9%          | 0.9%           | 91.50         | 1.0%       |            |               |            |            |  |
| Sweden                    | 3.10          | 5.98          | 25.90         | 12.84         | 14.68         | 20.18         | 18.35         | 25.35         | 32.64         | 28.59         | 31.49         | 39.98         | 32.12          | 0.00          | 65.54         | 0.00          | 0.00          | 65.54          | 4.7%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 356.75        | 3.6%          | 3.6%           | 356.75        | 3.8%       |            |               |            |            |  |
| Switzerland               | 0.67          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 3.90          | 2.54          | 0.00          | 2.54          | 0.2%           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 7.11           | 0.1%          | 0.1%          | 7.11           | 0.1%          |            |            |               |            |            |  |
| Turkey                    | 0.50          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.50          | 0.0%          | 0.0%           | 0.50          | 0.0%       |            |               |            |            |  |
| UNDP                      | 0.00          | 2.41          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 0.0%          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 2.41          | 0.0%          | 0.0%           | 2.41          | 0.0%       |            |               |            |            |  |
| United Kingdom            | 15.08         | 47.10         | 103.06        | 131.47        | 128.49        | 151.05        | 162.54        | 99.05         | 23.72         | 132.96        | 136.02        | 130.41        | 132.86         | 127.81        | 149.91        | 0.00          | 0.00          | 149.91         | 10.8%         | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 1671.53       | 16.8%         | 16.8%          | 1671.53       | 17.6%      |            |               |            |            |  |
| United States             | 38.00         | 20.00         | 89.59         | 62.00         | 73.90         | 0.00          | 159.50        | 264.00        | 265.00        | 400.00        | 371.24        | 218.59        | 443.47         | 275.95        | 261.03        | 5.00          | 260.00        | 526.03         | 37.9%         | 0.00          | 0.00          | 0.00          | 0.00          | 0.00           | 3207.28       | 32.2%         | 32.2%          | 2942.28       | 31.0%      |            |               |            |            |  |
| <b>TOTAL</b>              | <b>184.77</b> | <b>286.46</b> | <b>380.37</b> | <b>404.05</b> | <b>453.92</b> | <b>634.80</b> | <b>626.82</b> | <b>657.29</b> | <b>610.44</b> | <b>933.51</b> | <b>942.20</b> | <b>791.00</b> | <b>1077.64</b> | <b>651.50</b> | <b>917.92</b> | <b>131.15</b> | <b>339.98</b> | <b>1389.04</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>9978.81</b> | <b>100.0%</b> | <b>100.0%</b> | <b>9502.69</b> | <b>100.0%</b> |            |            |               |            |            |  |

1. Unsigned pledges are recorded based on a communication from the donor to the ARTF Administrator.  
2. Signed pledges are commitments recorded based on countersigned legal documents confirming the pledged amount.  
3. Paid amounts reflect receipt of funds and conversion in US dollars.

**TABLE A2.2 (Part 1): Expressed Donor Preferences By Projects—Paid-In, Committed, Pledged (US\$ million), December 20, 2016**

| Donor          | Curr | Program   | SY 1381         | SY 1382         | SY 1383         | SY 1384         | SY 1385         | SY 1386         | SY 1387         | SY 1388         | SY 1389         | SY 1390         | FY 1391         | FY 1392         | FY 1393         | FY 1394         | FY 1395         |                 | FY 1381-95      |                 |                         |
|----------------|------|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------------|
|                |      |   | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Expressed<br>Preference |
| Australia      | AUD  | AHP (Ad Hoc Payments)   | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 16.74           | 16.74           |                         |
| Canada         | CAD  | AHP (Ad Hoc Payments)   | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 8.11            | 8.11            |                         |
| EC/EU          | EUR  | AHP (Ad Hoc Payments)   | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 43.23           | 43.23           |                         |
| Italy          | EUR  | AHP (Ad Hoc Payments)   | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 1.19            | 1.19            |                         |
| United Kingdom | GBP  | AHP (Ad Hoc Payments)   | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 66.43           | 66.43           |                         |
| Norway         | NOK  | AHP (Ad Hoc Payments)   | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 4.94            | 4.94            |                         |
| United States  | USD  | AHP (Ad Hoc Payments)   | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 180.66          | 180.66          |                         |
|                |      | <b>TOTAL AHP (AD HOC PAYMENTS)</b>                                    | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>413.66</b>   | <b>413.66</b>   |                         |
| Norway         | NOK  | ARTE Higher Education Development Project                             | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 34.00           | 4.10            |                         |
| United States  | USD  | ARTE Higher Education Development Project                             | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 17.00           | 22.00           |                         |
|                |      | <b>TOTAL ARTF HIGHER EDUCATION DEVELOPMENT PROJECT</b>                | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>51.00</b>    | <b>26.10</b>    |                         |
| United States  | USD  | ARTF Research and Analysis Program (BETE)                             | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.12            | 0.12            |                         |
|                |      | <b>TOTAL ARTF RESEARCH AND ANALYSIS PROGRAM (BETE)</b>                | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.12</b>     | <b>0.12</b>     |                         |
| Czech Republic | CZK  | Afghanistan Agricultural Inputs Project                               | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 10.00           | 0.41            |                         |
|                |      | <b>TOTAL AFGHANISTAN AGRICULTURAL INPUTS PROJECT</b>                  | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>10.00</b>    | <b>0.41</b>     |                         |
| United States  | USD  | Afghanistan Resource Corridors Project                                | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 4.00            |                         |
|                |      | <b>TOTAL AFGHANISTAN RESOURCE CORRIDORS PROJECT</b>                   | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>4.00</b>     | <b>4.00</b>     |                         |
| Japan          | USD  | Afghanistan Rural Access Project (ARAP)                               | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 15.00           | 15.00           |                         |
|                |      | <b>TOTAL AFGHANISTAN RURAL ACCESS PROJECT (ARAP)</b>                  | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>15.00</b>    | <b>15.00</b>    |                         |
| EC/EU          | EUR  | Afghanistan Rural Enterprise Development Project (AREDP)              | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 1.73            | 0.00            | 0.78            | 0.00            | 0.00            | 0.00            | 0.00            | 8.66            | 8.66                    |
| Finland        | EUR  | Afghanistan Rural Enterprise Development Project (AREDP)              | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 2.47            | 2.77            | 3.32            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 8.57            | 8.57                    |
| United Kingdom | GBP  | Afghanistan Rural Enterprise Development Project (AREDP)              | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 13.10           | 13.10                   |
| Sweden         | SEK  | Afghanistan Rural Enterprise Development Project (AREDP)              | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 2.98            | 2.86            | 3.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 8.83            | 8.83                    |
|                |      | <b>TOTAL AFGHANISTAN RURAL ENTERPRISE DEVELOPMENT PROJECT (AREDP)</b> | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>20.43</b>    | <b>7.14</b>     | <b>7.50</b>     | <b>3.32</b>     | <b>0.78</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>39.17</b>    | <b>39.17</b>            |
| EC/EU          | EUR  | Capacity Building for Results Facility Project (CBR)                  | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 25.70           | 0.00            | 10.82           | 0.00            | 0.00            | 0.00            | 0.00            | 36.52           | 36.52                   |
| Italy          | EUR  | Capacity Building for Results Facility Project (CBR)                  | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 1.30            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 1.30            | 1.30                    |
| Japan          | USD  | Capacity Building for Results Facility Project (CBR)                  | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 40.00           | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 60.00           | 60.00                   |
| United States  | USD  | Capacity Building for Results Facility Project (CBR)                  | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 5.00            | 5.00                    |
|                |      | <b>TOTAL CAPACITY BUILDING FOR RESULTS FACILITY PROJECT (CBR)</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>1.30</b>     | <b>65.70</b>    | <b>20.00</b>    | <b>15.82</b>    | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>102.81</b>   | <b>102.81</b>           |
| Germany        | EUR  | Citizens Charter Afghanistan Project                                  | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 20.76           | 20.76           |                         |
|                |      | <b>TOTAL CITIZENS CHARTER AFGHANISTAN PROJECT</b>                     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>20.76</b>    | <b>20.76</b>    |                         |
| Norway         | NOK  | Civil Service Capacity Building Project                               | 0.00            | 0.00            | 2.92            | 3.10            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 6.02            | 6.02                    |
| United States  | USD  | Civil Service Capacity Building Project                               | 0.00            | 0.00            | 4.30            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 4.30            | 4.30                    |
|                |      | <b>TOTAL CIVIL SERVICE CAPACITY BUILDING PROJECT</b>                  | <b>0.00</b>     | <b>0.00</b>     | <b>7.22</b>     | <b>3.10</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>10.32</b>    | <b>10.32</b>            |
| Australia      | AUD  | Community Recovery  | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 5.94            | 0.00            | 6.03            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 11.97           | 11.97                   |
| Finland        | EUR  | Community Recovery  | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 2.47            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 2.47            | 2.47                    |
| United States  | USD  | Community Recovery  | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 50.00           | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 50.00           | 50.00                   |
|                |      | <b>TOTAL COMMUNITY RECOVERY</b>                                       | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>55.94</b>    | <b>2.47</b>     | <b>6.03</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>64.45</b>    | <b>64.45</b>            |



**TABLE A2.2 (Part 3): Expressed Donor Preferences By Projects—Paid-In, Committed, Pledged (US\$ million), December 20, 2016**

| Donor          | Curr | Program  | SY 1381      |              | SY 1382      |              | SY 1383      |              | SY 1384      |              | SY 1385      |              | SY 1386      |              | SY 1387      |              | SY 1388      |              | SY 1389      |              | FY 1391      |              | FY 1392      |              | FY 1393      |              | FY 1394      |              | FY 1395      |              |               |               | FY 1396      |                      |                  |
|----------------|------|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|----------------------|------------------|
|                |      |  | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$ | Paid-in US\$  | Paid-in US\$  | Paid-in US\$ | Expressed Preference | Of which Paid-in |
| Australia      | AUD  | Microfinance for Poverty Reduction Project               | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00          | 0.00          | 0.00         | 8.01                 | 8.01             |
| Canada         | CAD  | Microfinance for Poverty Reduction Project               | 0.00         | 4.71         | 5.49         | 12.85        | 24.16        | 38.83        | 5.41         | 4.47         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00          | 0.00          | 95.93        | 95.93                |                  |
| Denmark        | DKK  | Microfinance for Poverty Reduction Project               | 0.00         | 0.00         | 0.00         | 1.63         | 2.11         | 1.47         | 6.40         | 3.03         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00          | 0.00          | 14.63        | 14.63                |                  |
| Finland        | EUR  | Microfinance for Poverty Reduction Project               | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 1.37         | 2.22         | 2.22         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00          | 0.00          | 8.73         | 8.73                 |                  |
| United Kingdom | GBP  | Microfinance for Poverty Reduction Project               | 0.00         | 0.00         | 3.78         | 14.54        | 9.31         | 9.85         | 27.45        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00          | 64.93         | 64.93        |                      |                  |
| Sweden         | SEK  | Microfinance for Poverty Reduction Project               | 0.00         | 0.00         | 2.22         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 2.22          | 2.22          |              |                      |                  |
| Netherlands    | USD  | Microfinance for Poverty Reduction Project               | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 2.50         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 7.80          | 7.80          |              |                      |                  |
| United States  | USD  | Microfinance for Poverty Reduction Project               | 0.00         | 0.00         | 5.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 5.00          | 5.00          |              |                      |                  |
|                |      | <b>TOTAL MICROFINANCE FOR POVERTY REDUCTION PROJECT</b>  | <b>0.00</b>  | <b>4.71</b>  | <b>16.49</b> | <b>29.01</b> | <b>36.37</b> | <b>55.05</b> | <b>46.25</b> | <b>16.44</b> | <b>2.83</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>207.26</b> | <b>207.26</b> |              |                      |                  |
| Australia      | AUD  | National Emergency Employment Program                    | 0.00         | 0.00         | 0.00         | 0.00         | 0.78         | 0.00         | 4.76         | 0.71         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 6.26          | 6.26          |              |                      |                  |
| Canada         | CAD  | National Emergency Employment Program                    | 0.00         | 0.00         | 0.00         | 0.00         | 1.28         | 3.36         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 4.64         | 4.64          |               |              |                      |                  |
| EC/EU          | EUR  | National Emergency Employment Program                    | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 11.31        | 0.00         | 2.79         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 14.11        | 14.11         |               |              |                      |                  |
| Spain          | EUR  | National Emergency Employment Program                    | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 8.45         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 8.45         | 8.45          |               |              |                      |                  |
| United Kingdom | GBP  | National Emergency Employment Program                    | 0.00         | 0.00         | 0.00         | 18.24        | 13.91        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 32.15        | 32.15         |               |              |                      |                  |
| United States  | USD  | National Emergency Employment Program                    | 0.00         | 0.00         | 0.00         | 2.00         | 0.00         | 0.00         | 21.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 23.00        | 23.00         |               |              |                      |                  |
|                |      | <b>TOTAL NATIONAL EMERGENCY EMPLOYMENT PROGRAM</b>       | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>20.24</b> | <b>15.96</b> | <b>3.36</b>  | <b>37.08</b> | <b>9.17</b>  | <b>2.79</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>88.60</b> | <b>88.60</b>  |               |              |                      |                  |
| Australia      | AUD  | National Emergency Rural Access Project                  | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 2.72         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 2.72         | 2.72          |               |              |                      |                  |
| EC/EU          | EUR  | National Emergency Rural Access Project                  | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 8.71         | 3.61         | 3.46         | 0.00         | 19.03        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 29.05        | 63.86         | 63.86         |              |                      |                  |
| Germany        | EUR  | National Emergency Rural Access Project                  | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 6.74         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 6.74         | 6.74          |               |              |                      |                  |
| Italy          | EUR  | National Emergency Rural Access Project                  | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 1.46         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 1.46         | 1.46          |               |              |                      |                  |
| Spain          | EUR  | National Emergency Rural Access Project                  | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 4.80         | 3.32         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 8.12         | 8.12          |               |              |                      |                  |
| Japan          | USD  | National Emergency Rural Access Project                  | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 10.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 10.00        | 10.00         |               |              |                      |                  |
|                |      | <b>TOTAL NATIONAL EMERGENCY RURAL ACCESS PROJECT</b>     | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>18.39</b> | <b>22.96</b> | <b>3.46</b>  | <b>19.03</b> | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>29.05</b> | <b>92.89</b> | <b>92.89</b>  |               |              |                      |                  |
| Czech Republic | CZK  | National Horticulture and Livestock Project              | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.21         | 0.21         | 0.21          | 0.21          |              |                      |                  |
| EC/EU          | EUR  | National Horticulture and Livestock Project              | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 21.82        | 84.09         | 21.82         |              |                      |                  |
|                |      | <b>TOTAL NATIONAL HORTICULTURE AND LIVESTOCK PROJECT</b> | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>0.00</b>  | <b>22.02</b> | <b>84.30</b> | <b>84.30</b> | <b>22.02</b>  | <b>22.02</b>  |              |                      |                  |



**TABLE A2.2 (Part 5): Expressed Donor Preferences By Projects—Paid-In, Committed, Pledged (US\$ million), December 20, 2016**

| Donor              | Curr | Program  | SY 1381         |                 | SY 1382         |                 | SY 1383         |                 | SY 1384         |                 | SY 1385         |                 | SY 1386         |                 | SY 1387         |                 | SY 1388         |                 | SY 1389         |                 | SY 1390         |                 | SY 1391         |                 | SY 1392         |                 | SY 1393         |                 | SY 1394         |                 | FY 1395         |                 |                 |                 | FY 1381-95              |                     |             |
|--------------------|------|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------------|---------------------|-------------|
|                    |      |  | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Paid-in<br>US\$ | Expressed<br>Preference | Of which<br>Paid-in |             |
| Czech Republic     | CZK  | Skills Development Project   | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.22            | 0.22            | 0.22                    | 0.22                |             |
| Norway             | NOK  | Skills Development Project   | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 6.67            | 6.67            | 6.67                    | 6.67                |             |
| United States      | USD  | Skills Development Project   | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00                    | 0.00                |             |
|                    |      | <b>TOTAL SKILLS DEVELOPMENT PROJECT</b>                                  | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>             | <b>0.00</b>         |             |
| Australia          | AUD  | Strengthening Health Activities for the Rural Poor (SHARP)               | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00                    | 0.00                |             |
| Canada             | CAD  | Strengthening Health Activities for the Rural Poor (SHARP)               | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00                    | 0.00                |             |
| EC/EU              | EUR  | Strengthening Health Activities for the Rural Poor (SHARP)               | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00                    | 0.00                | 0.00        |
| Estonia            | EUR  | Strengthening Health Activities for the Rural Poor (SHARP)               | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00                    | 0.00                | 0.00        |
| United States      | USD  | Strengthening Health Activities for the Rural Poor (SHARP)               | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00                    | 0.00                | 0.00        |
|                    |      | <b>TOTAL STRENGTHENING HEALTH ACTIVITIES FOR THE RURAL POOR (SHARP)</b>  | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>             | <b>0.00</b>         |             |
| Russian Federation | USD  | Strengthening Higher Education Project                                   | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00                    | 0.00                | 0.00        |
|                    |      | <b>TOTAL STRENGTHENING HIGHER EDUCATION PROJECT</b>                      | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>             | <b>0.00</b>         | <b>0.00</b> |
| Canada             | CAD  | System Enhancement for Health in Transition Project (SEHAT)              | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00                    | 0.00                | 0.00        |
| EC/EU              | EUR  | System Enhancement for Health in Transition Project (SEHAT)              | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00                    | 0.00                | 0.00        |
| United States      | USD  | System Enhancement for Health in Transition Project (SEHAT)              | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00                    | 0.00                | 0.00        |
|                    |      | <b>TOTAL SYSTEM ENHANCEMENT FOR HEALTH IN TRANSITION PROJECT (SEHAT)</b> | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>             | <b>0.00</b>         | <b>0.00</b> |
| United States      | USD  | Technical Assistance Feasibility Studies                                 | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00            | 0.00                    | 0.00                | 0.00        |
|                    |      | <b>TOTAL TECHNICAL ASSISTANCE FEASIBILITY STUDIES</b>                    | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>     | <b>0.00</b>             | <b>0.00</b>         | <b>0.00</b> |
| <b>GRAND TOTAL</b> |      |  | <b>0.00</b>     | <b>21.42</b>    | <b>56.56</b>    | <b>110.08</b>   | <b>134.32</b>   | <b>275.81</b>   | <b>294.72</b>   | <b>298.02</b>   | <b>400.25</b>   | <b>347.81</b>   | <b>386.29</b>   | <b>217.20</b>   | <b>550.66</b>   | <b>206.81</b>   | <b>263.53</b>   | <b>269.16</b>   | <b>671.27</b>   | <b>527.43</b>   | <b>786.59</b>   | <b>4106.54</b>  | <b>3837.38</b>  | <b>167.53</b>   | <b>100.27</b>   | <b>2.00</b>     | <b>2.00</b>     | <b>2.00</b>     | <b>2.00</b>     | <b>2.00</b>     | <b>2.00</b>     | <b>2.00</b>     | <b>2.00</b>     | <b>2.00</b>     | <b>2.00</b>             | <b>2.00</b>         | <b>2.00</b> |



**TABLE A2.3 (Part 2): ARTF Commitments and Disbursements (US\$ million) as of December 20, 2016**

|   | Comm<br>SY 1381<br>Year End | Comm<br>SY 1382<br>Year End | Comm<br>SY 1383<br>Year End | Comm<br>SY 1384<br>Year End | Comm<br>SY 1385<br>Year End | Comm<br>SY 1386<br>Year End | Comm<br>SY 1387<br>Year End | Comm<br>SY 1388<br>Year End | Comm<br>SY 1389<br>Year End | Comm<br>SY 1390<br>Year End | Comm<br>SY 1391<br>Year End | Comm<br>FY 1392<br>Year End | Comm<br>FY 1393<br>Year End | Comm<br>FY 1394<br>Year End | Comm<br>FY 1395<br>Year End | Disbursed<br>FY 1381-95<br>Total<br>(g) | 20-Dec-16<br>Total<br>Disbursed<br>(h) | Current<br>Month<br>Disbursed | Available<br>(g) - (h) | Disb.<br>Rate<br>(h)/(g) |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---|--|-------------------------------|------------------------|--------------------------|
| <b>RESEARCH AND ANALYSIS PROGRAM (Continued)</b>                                    |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |   |  |                               |                        |                          |
| TF0A2262 - Afghanistan Corporate Governance of State-Owned Enterprises (SOE)        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.05                                    | 0.02                                   | 0.00                          | 0.03                   | 41%                      |
| TF0A2263 - Afghanistan: Trade and Regional Integration                              | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.25                                    | 0.19                                   | 0.25                          | 0.03                   | 77%                      |
| TF0A2264 - Afghanistan: Optimizing Health Service Delivery Choices                  | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.30                                    | 0.07                                   | 0.30                          | 0.02                   | 25%                      |
| TF0A2265 - Review and Rethink Transport Infrastructure                              | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.20                                    | 0.00                                   | 0.20                          | 0.00                   | 0%                       |
| TF0A2347 - Afghanistan Financial Sector Regulatory and Governance Diagnostics       | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.25                                    | 0.15                                   | 0.25                          | 0.02                   | 61%                      |
| TF0A3799 - Poverty Monitoring in Afghanistan: Remote Sensing for Poverty Prediction | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.05                                    | 0.00                                   | 0.05                          | 0.00                   | 10%                      |
| TF0A3810 - Supporting Afghanistan's Displaced Population                            | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.20                                    | 0.01                                   | 0.20                          | 0.01                   | 3%                       |
| <b>Subtotal Active Research and Analysis Program</b>                                | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.00</b>                 | <b>0.15</b>                 | <b>4.74</b>                 | <b>1.51</b>                             | <b>4.89</b>                            | <b>0.25</b>                   | <b>3.38</b>            |                          |
| <b>CLOSED INVESTMENT PROJECTS (3)</b>   |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |                             |   |  |                               |                        |                          |
| TF011825 - Justice Service Delivery Project - PPG                                   | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 2.76                                    | 0.00                                   | 2.76                          | 0.00                   | 100%                     |
| TF013393 - Afghanistan Second Skills Development Project                            | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.44                                    | -0.01                                  | 0.06                          | 0.00                   | 100%                     |
| TF014211 - Kabul Municipal Development Program PPG                                  | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 5.00                                    | 2.86                                   | 0.00                          | 2.14                   | 100%                     |
| TF014861 - Nughlu Hydropower Rehabilitation Project PPG                             | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 4.97                                    | 0.00                                   | 1.14                          | 0.00                   | 100%                     |
| TF015577 - Preparation of Higher Education System Improvement Project               | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 4.90                                    | 1.00                                   | 2.59                          | 0.00                   | 100%                     |
| TF050855 - UNDP Police Pr. 1 & 2  | 4.84                        | 4.84                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                                    | 0.00                                   | 0.00                          | 0.00                   | 0.00                     |
| TF050970 - Technical Assistance Feasibility Studies                                 | 0.00                        | 0.00                        | 8.00                        | 2.52                        | 6.00                        | 3.88                        | 4.50                        | 2.91                        | 0.00                        | 3.28                        | 0.00                        | 3.02                        | 0.00                        | 1.29                        | 0.00                        | -0.02                                   | 0.00                                   | -1.53                         | 0.00                   | 100%                     |
| TF050973 - National Emergency Employment Program                                    | 0.00                        | 0.00                        | 16.62                       | 8.31                        | 0.00                        | 20.20                       | 0.00                        | 16.00                       | 0.00                        | 20.20                       | 0.00                        | 15.12                       | 0.00                        | 0.88                        | 0.00                        | 0.00                                    | 0.00                                   | 0.00                          | 0.00                   | 100%                     |
| TF052081 - Microfinance for Poverty Reduction                                       | 0.00                        | 0.00                        | 1.00                        | 0.36                        | 0.00                        | 0.34                        | 0.00                        | 0.31                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                                    | 0.00                                   | 0.00                          | 0.00                   | 100%                     |
| TF052366 - UNDP Police 3  | 0.00                        | 0.00                        | 16.80                       | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                                    | 0.00                                   | 0.00                          | 0.00                   | 100%                     |
| TF052452 - Microfinance for Poverty Reduction Project                               | 0.00                        | 0.00                        | 4.00                        | 2.20                        | 12.00                       | 12.64                       | 38.30                       | 21.21                       | 32.00                       | 48.48                       | 33.00                       | 34.22                       | 64.00                       | 24.88                       | 0.00                        | 23.44                                   | -15.36                                 | 0.88                          | 0.00                   | 100%                     |
| TF052475 - Telecom & Microwave Link   | 0.00                        | 0.00                        | 3.00                        | 0.15                        | 3.13                        | 1.03                        | 0.00                        | 3.07                        | 0.00                        | 1.52                        | -0.12                       | 0.24                        | 0.00                        | 0.00                        | 0.00                        | 0.00                                    | 0.00                                   | 0.00                          | 0.00                   | 100%                     |
| TF052482 - Kabul Roads and Water Drainage Systems Project                           | 0.00                        | 0.00                        | 3.00                        | 0.00                        | 0.00                        | 2.91                        | 0.00                        | -0.17                       | 0.00                        | -0.11                       | -0.03                       | 0.00                        | 0.00                        | 0.00                        | 0.00                        | 0.00                                    | 0.00                                   | 0.00                          | 0.00                   | 100%                     |







TABLE A2.4: ARTF Consolidated Sources &amp; Uses of Funds (US\$ million) as of December 20, 2016


|  | SY 1381<br>Total<br>Actual | SY 1382<br>Total<br>Actual | SY 1383<br>Total<br>Actual | SY 1384<br>Total<br>Actual | SY 1385<br>Total<br>Actual | SY 1386<br>Total<br>Actual | SY 1387<br>Total<br>Actual | SY 1388<br>Total<br>Actual | SY 1389<br>Total<br>Actual | SY 1390<br>Total<br>Actual | FY 1391<br>Total<br>Actual | FY 1392<br>Total<br>Actual | FY 1393<br>Total<br>Actual | FY 1394<br>Total<br>Actual | FY 1394<br>Total<br>Actual |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>SOURCES OF FUNDS (A+B)</b>                        |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| <b>A. Net Donors Contributions (A1-A2)</b>           | <b>184.24</b>              | <b>284.38</b>              | <b>378.77</b>              | <b>404.09</b>              | <b>460.00</b>              | <b>654.25</b>              | <b>632.69</b>              | <b>653.92</b>              | <b>608.48</b>              | <b>925.25</b>              | <b>928.69</b>              | <b>779.93</b>              | <b>1010.17</b>             | <b>643.26</b>              | <b>906.53</b>              |
| A.1. Donors Contributions                            | 184.77                     | 286.46                     | 380.37                     | 404.05                     | 453.92                     | 634.80                     | 626.82                     | 657.29                     | 610.44                     | 933.51                     | 942.20                     | 791.00                     | 1027.64                    | 651.50                     | 917.92                     |
| A.2. IDA fees minus Investment Income                | 0.53                       | 2.08                       | 1.59                       | -0.04                      | -6.08                      | -19.44                     | -5.88                      | 3.37                       | 2.26                       | 8.26                       | 13.51                      | 11.32                      | 17.47                      | 8.23                       | 11.39                      |
| A.3. Refund of Ineligible Expenditure                | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.29                       | 0.00                       | 0.00                       | 0.26                       | 0.00                       | 0.00                       | 0.00                       |
| <b>B. Cash Carried-Over (=D previous year)</b>       |                            | <b>119.52</b>              | <b>155.97</b>              | <b>238.07</b>              | <b>302.79</b>              | <b>293.89</b>              | <b>426.68</b>              | <b>495.34</b>              | <b>679.28</b>              | <b>728.33</b>              | <b>1148.49</b>             | <b>1584.93</b>             | <b>1671.70</b>             | <b>1677.88</b>             | <b>1482.90</b>             |
| <b>USES OF FUNDS (C+D)</b>                           |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| <b>C. Disbursements (C1+C2+C3+C4)</b>                | <b>64.72</b>               | <b>247.94</b>              | <b>296.67</b>              | <b>339.37</b>              | <b>468.89</b>              | <b>521.46</b>              | <b>564.03</b>              | <b>469.98</b>              | <b>559.42</b>              | <b>505.09</b>              | <b>492.25</b>              | <b>693.16</b>              | <b>1003.99</b>             | <b>838.24</b>              | <b>886.73</b>              |
| C.1 Recurrent window - Disbursed by DAB              | 59.21                      | 214.14                     | 235.16                     | 253.25                     | 300.21                     | 290.55                     | 310.06                     | 221.42                     | 336.68                     | 176.64                     | 225.00                     | 256.10                     | 419.56                     | 435.69                     | 469.86                     |
| Wages  | 40.95                      | 145.77                     | 179.32                     | 174.21                     | 216.20                     | 203.00                     | 276.74                     | 139.78                     | 218.10                     | 176.64                     | 225.00                     | 150.00                     | 125.00                     | 125.00                     | 100.00                     |
| O&M  | 13.65                      | 51.16                      | 55.28                      | 79.04                      | 84.01                      | 87.55                      | 33.32                      | 41.64                      | 54.78                      | 0.00                       | 0.00                       | 32.00                      | 33.90                      | 33.60                      | 0.00                       |
| Other  | 4.60                       | 17.21                      | 0.56                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       |
| IP (Incentive Program)                               | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 40.00                      | 63.80                      | 0.00                       | 0.00                       | 74.10                      | 113.70                     | 93.60                      | 244.20                     |
| AHP (Ad Hoc Payments)                                | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 146.96                     | 183.49                     | 125.66                     |
| C.2. Investment window                               |                            | 15.59                      | 58.87                      | 83.97                      | 166.14                     | 226.11                     | 251.13                     | 246.17                     | 219.42                     | 320.63                     | 256.86                     | 424.39                     | 570.36                     | 394.69                     | 401.98                     |
| C.3. Pass-through to LOTFA (UNDP Police)             | 4.84                       | 16.80                      |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| C.4. Fees to monitoring agent                        | 0.67                       | 1.41                       | 2.64                       | 2.16                       | 2.53                       | 4.80                       | 2.84                       | 2.39                       | 3.32                       | 7.82                       | 10.39                      | 12.67                      | 14.08                      | 7.86                       | 13.37                      |
| C.4. Fees to monitoring agent                        | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 1.51                       |
| <b>D. Cash Balance (end-of-period) (A+B-C=D1+D2)</b> | <b>119.52</b>              | <b>155.97</b>              | <b>238.07</b>              | <b>302.79</b>              | <b>293.89</b>              | <b>426.68</b>              | <b>495.34</b>              | <b>679.28</b>              | <b>728.33</b>              | <b>1148.49</b>             | <b>1584.93</b>             | <b>1671.70</b>             | <b>1677.88</b>             | <b>1482.90</b>             | <b>1502.70</b>             |
| D.1. Committed Cash Balance:                         | <b>97.12</b>               | <b>109.91</b>              | <b>161.68</b>              | <b>279.85</b>              | <b>227.24</b>              | <b>305.93</b>              | <b>385.03</b>              | <b>427.54</b>              | <b>503.31</b>              | <b>648.85</b>              | <b>861.86</b>              | <b>948.32</b>              | <b>1152.50</b>             | <b>1129.89</b>             | <b>1015.79</b>             |
| to recurrent window special account                  | 51.50                      | 50.60                      | 50.00                      | 50.00                      | 50.00                      | 50.00                      | 50.00                      | 50.00                      | 50.00                      | 50.00                      | 50.00                      | 50.00                      | 50.00                      | 50.00                      | 50.00                      |
| to recurrent window Trust Fund                       | 44.29                      | 26.04                      | 49.49                      | 76.24                      | 75.03                      | 70.48                      | 76.42                      | 145.00                     | 24.57                      | 50.00                      | 50.00                      | 115.90                     | 265.44                     | 151.75                     | 51.88                      |
| undisbursed investment window balance                |                            | 32.57                      | 61.82                      | 150.75                     | 94.90                      | 179.42                     | 252.29                     | 225.61                     | 425.13                     | 540.90                     | 741.00                     | 770.73                     | 827.44                     | 897.74                     | 890.45                     |
| to Monitoring Agent                                  | 1.33                       | 0.70                       | 0.37                       | 2.85                       | 7.32                       | 6.02                       | 6.32                       | 6.93                       | 3.61                       | 7.95                       | 20.86                      | 11.69                      | 9.61                       | 30.25                      | 20.08                      |
| to Monitoring Agent                                  | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.00                       | 0.15                       | 3.38                       |
| D.2. Unallocated Cash Balance                        | <b>22.40</b>               | <b>46.05</b>               | <b>76.39</b>               | <b>22.94</b>               | <b>66.65</b>               | <b>120.75</b>              | <b>110.31</b>              | <b>251.74</b>              | <b>225.02</b>              | <b>499.64</b>              | <b>723.07</b>              | <b>723.38</b>              | <b>525.39</b>              | <b>353.01</b>              | <b>486.91</b>              |



# ANNEX 3




## Incentive Program Scorecard and Progress Report on FY 2015 Benchmarks

**STATUS: December 10, 2016**

| 2015 BENCHMARKS   |   | PROGRESS  |
|---|---|---|
| <p><b>(1) Customs HR Reforms</b></p> <p>The Cabinet approves a comprehensive human resources (HR) reform policy for the Afghanistan Customs Department (ACD). The policy will allow the ACD to develop a roadmap for the establishment of a new HR platform and will provide it authority to conduct an HR review, take HR actions on existing customs staff, introduce a transparent and competitive recruitment process, determine hiring and commissioning requirements as well as deploy performance management and related remuneration packages.</p>  | ✓   | <p>Achieved November 2015 and disbursed following the 1st technical review.</p>   |
| <p><b>(2) Customs Enforcement</b></p> <p>The Cabinet approves the establishment of a Preventive and Enforcement wing within ACD with powers of search, investigation, and arrest throughout customs territory.</p>  | ✓   | <p>Achieved November 2015 and disbursed following the 1st technical review.</p>   |
| <p><b>(3) Tax Administration: Reorganization and Modernization</b></p> <p>(i) The ARD fully rolls-out the Standard Integrated Government Tax Administration System (SIGTAS) to the five most populated provinces, and introduces risk-based compliance audits in all taxpayer offices in Kabul.</p> <p>(ii) The Cabinet approves a plan for the reorganization and restructuring of the ARD, including the proposal, policy procedures, and a new organizational structure. The reorganization aims at providing the ARD with more autonomy in decision making, reducing the fragmentation of ARD functions in its headquarters and provincial tax offices, and strengthening relevant reporting lines.</p> |  | <p><b>Delayed.</b></p> <p>(i) The first sub-trigger was completed successfully. SIGTAS roll-out has been completed in Kabul's Small, Medium, and Large Taxpayer Offices, and eight provinces (Herat, Balkh, Nangahar, Kunduz, Kandahar, Parwan, Faryab, and Paktia). Maintenance and operations of these systems is a major challenge, which is being addressed through other technical assistance programs and will also require support from MoF internal resources. Risk-based compliance audits have been rolled out in the Small, Medium and Large Taxpayer Offices. Case managers register risk scores for all returns using risk guidelines. On this basis, Compliance Committees select cases for audit. Copies of SIGTAS reports have been received.</p> <p>(ii) The reform plan has been drafted, but has not been approved by Cabinet. Technical modifications were adopted by the ARD in June 2016 to adjust the plan to respond to the MoF's management objectives (i.e., without full autonomy) and to outline a roadmap of technical assistance. The ARD reports that the document has been translated and sent to the Chief of Staff of the Office of the Minister of Finance, and through that office to Cabinet for approval. However, the reform plan has not yet been included in the agenda of the cabinet meetings.</p> |

| 2015 BENCHMARKS  |   | PROGRESS  |
|--|---|---|
| <p><b>4) Tax Policy</b></p> <p>(i) As part of the revenue measures agreed with IMF under the SMP, the MoF decrees the introduction of a mobile telecommunication top-up fee, an increase in the Business Receipt Tax, and an increase in the fuel and toll fees.</p> <p>(ii) MoF establishes and the Cabinet authorizes an inter-ministerial and interdepartmental committee for tax policy. The main function of the committee, which may have a flexible structure, should review, discuss, and advise on all major tax policy proposals in a time-bound manner prior to approval by Cabinet and ensure that all relevant stakeholders are consulted.</p>  | ✓   | <p><b>Achieved as of end March 2016.</b> See verification protocol in Annex 5 for details.</p>  |
| <p><b>(5) Land Administration and Management</b></p> <p>The Cabinet approves the new land management law. The new law will include provisions that moves land titling from a court-based to an administrative system, improves security of tenure for various land users (including communities, women, and private investors), as well as strengthens rights and mechanisms for the restitution of public and private land.</p>   |    | <p><b>Delayed</b></p> <p>The draft law (now called the “Arazi law”) is, in principle, ready for Cabinet submission. It was first tabled during a cabinet meeting in May 2016, together with the draft land acquisition law and the draft law on the Registration of Urban Informal Properties. However, an incorrect version of the draft laws was presented. As a result, the laws were not approved and the decision was delegated to the High Council of Water and Land for review. The High Council met in November to review the laws but they were again turned back for further changes—mainly due to the Informal Properties law—to ensure that the legislation adequately reflects the new land allocation plan (for returnees and IDPs). The laws will be presented again in December 2016 or January 2017.</p>   |
| <p><b>(6) Doing Business Reforms</b></p> <p>The Cabinet approves a roadmap, which includes a description of all required institutional and regulatory changes for the establishment of a unified business registration system that provides the right to invest, trade, and conduct usual business activities to the license holders as well delineates the roles, ownership, and management responsibilities of the Ministry of Commerce and Industries (MoCI) and Afghanistan Investment Support Agency (AISA) in relation to business registration and licensing.</p>   | ✓   | <p><b>Achieved as of September 2016.</b> See verification protocol in Annex 5 for details.</p>  |
| <p><b>(7) Sustainability of Pension and Social Benefits</b></p> <p>(i) The MoF and Ministry of Labour, Social Affairs, Martyrs and Disabled (MoLSAMD) conduct a review of the pension and social benefits system, which lays out the fiscal implications of the current pension schemes (civil servants, security, martyrs and disabled) with recommendations on how to ensure that pensions and social transfers remain fiscally sustainable in the future. The findings of the review will be presented to the President, the Council of Ministers as well as the Cabinet.</p> <p>(ii) MoLSAMD has introduced biometric verification/ proof of life for the public pension beneficiaries registered in the PMIS.</p> |  | <p><b>Delayed.</b></p> <p><b>(i) The MoF shared a draft analysis of the fiscal implications of the current pension schemes for civil servants and security personnel in September 2015.</b> The financial projections in the report were based on a MoF pension model that provided projections consistent with the Bank’s pension model for Afghanistan. However, the recommendations in the initial report were not comprehensive enough to address the fiscal impact of pensions. After various technical discussions with the World Bank team, the policy paper was revised to include additional policy options.</p> <p>However, in July 2016, the MoLSAMD requested further technical level discussions on the policy options involving senior officials of both the ministries. The World Bank team suggested organizing an Afghanistan-specific two-day workshop featuring the pension reform options to facilitate discussions. While the World Bank will continue to support the MoF – MoLSAMD efforts to agree on a reform proposal, the risk that this trigger will not be met by end-2016 is very high.</p> <p><b>(ii) Achieved on August 15, 2016.</b> Biometric verification/proof of life for public pension beneficiaries at the Pension Department was introduced on August 15, 2016. Based on reports from the Pension Department, the system so far has captured around 400 pensioners’ biometrics.</p> |



| 2015 BENCHMARKS  |   | PROGRESS  |
|--|---|---|
| <p><b>(8) Electronic Payment Systems</b></p> <p>Da Afghanistan Bank (DAB) issues a clear and transparent regulatory framework for payment system providers and payment system operators and issues an appropriate license to the APS.</p>  |    | <p><b>Delayed.</b></p> <p>The benchmark is largely met. DAB has issued two dedicated regulations for payment system operators in February 2016 and later in the year issued another regulation for payment system providers that regulates the “Electronic Money Institutions”.</p> <p>The DAB is in an advanced stage of the licensing process for APS. The DAB executive board decided that the license to APS will be issued by its Financial Supervision Department. APS has submitted the application along with the required documents to the department and the application is under process. DAB has completed the on-site audit and submitted the final report to its executive board for due decisions. The process of issuing the APS license is expected to conclude within the next weeks.</p> |
| <p><b>(9) Fiscal Deconcentration and Provincial Budgeting</b></p> <p>(i) The Cabinet approves the Provincial Budgeting Policy, allowing budget allocation of discretionary resources to provinces, based on clearly defined norms (developed by central line ministries) and in consideration of the capacity of the receiving ministries as well as overall fiscal space.</p> <p>(ii) The MoF establishes a Fiscal Deconcentration Working Group that oversees the implementation of the provincial budgeting policy.</p>   |    | <p><b>Achieved November 2015 and disbursed following the 1st technical review.</b></p>  |
| <p><b>(10) External Audit</b></p> <p>(i) The SAO develops and agrees on a framework and methodology for Performance Audits in line with International Organization of Supreme Auditing Institutions (INTOSAI) Auditing Standards.</p> <p>(ii) The SAO prepares and presents a report to Parliament and the President on the status of outstanding audit observations and compliance with the audit recommendations of the last three years by each line ministry and government department. With assistance of the MoF, SAO notifies an audit follow-up mechanism requiring the line ministries to implement the agreed audit recommendations.</p> |  | <p><b>Achieved January 2016 and disbursed following the 2nd technical review.</b></p>   |

# ANNEX 4


## Scorecard and Progress Report on FY 2016 Benchmarks

**STATUS: December 10, 2016**

| 2016 BENCHMARKS   |   | PROGRESS   |
|---|---|--|
| <p><b>(1) Customs: HR Reforms</b></p> <p>The ACD begins implementing the HR reforms in line with the approved HR policy, including changes to recruitment, promotion, mobility, remuneration, and provisions on restrictions and exemptions to lateral entry. The ACD ensures that 25% of existing grade 2, 3, and 4 customs officers will have passed the Customs Academy and qualify to remain in the ACD, and that all new recruitments will be subject to a competitive process and that any lateral entries follow the procedures laid down in the new HR policy.</p>  |    | <p><b>Risk of Delay</b></p> <p>The ACD has completed a first draft of the HR procedures, but progress in setting up a HR unit in the ACD was delayed. The new Customs and Tax Academy was inaugurated in December 2016. The proposal for HR autonomy was approved by the finance minister, but progress in implementation has been slow.</p>   |
| <p><b>(2) Customs: Enforcement</b></p> <p>(i) The Cabinet approves amendments to the Customs law. The amendments will include provisions that regularize the ACD's new enforcement wing, in particular regarding the power of customs to exercise their powers on Afghan customs territory.</p> <p>(ii) The Civil Service Commission approves the new Tashkeel (organizational structure) for the ACD Preventive and Enforcement Wing.</p> <p>(iii) The ACD prepares and begins implementing the Preventive and Enforcement Plan, which will cover organizational structure, training, and deployment of staff.</p> |    | <p><b>Risk of Delay</b></p> <p>Progress Amendment of Article no. 164 and paragraph no. 1 of Article no. 191 of the Customs law was finalized and approved by the President through a legal decree during the official winter holidays 1394. The Tashkeel of 1395 of ACD (which included the Customs Law Enforcement Directorate) was approved by the Directorate of Administrative Reforms and Civil Services Commission, but implementation has been slow. The transfer and deployment of officers in the enforcement department has already started and its teams have gone through the short-term capacity building courses at the Afghan National Customs Academy and some special trainings for Customs Police are going on at the academy.</p> <p>Discussions over the institutional role and reporting lines of the new customs enforcement wing have caused some uncertainty over the directions of customs reforms. The objective of the 2015 reform benchmark was to strengthen ACD's enforcement power. However, this will require that customs operations and enforcement work toward shared goals and clearly defined, common reporting lines. Recent interactions with the MoF indicated that issues around reporting lines of the enforcement wing will soon be resolved. The World Bank team encourages the MoF to issue a formal directive to inform the ACD of any decisions taken on the future role of the enforcement wing.</p> |
| <p><b>(3) Tax Administration: Reorganization and Modernization</b></p> <p>(i) The ARD fully roll-outs SIGTAS and risk-based compliance audits to at least five additional (key) provinces.</p> <p>(ii) The ARD streamlines tax payment and reporting procedures to remove obstacles to taxpayer compliance. This includes the issuance of tax clearance certificates irrespective of planned or active audits and reducing the number of administrative steps to pay taxes by cash and wire transfer.</p>   |  | <p><b>Achieved as of December 2016.</b> See verification protocol in Annex 5 for details.</p>  |



| 2016 BENCHMARKS  |   | PROGRESS  |
|--|---|---|
| <p><b>(3) Tax Policy</b></p> <p>The Cabinet approves amendments to the Corporate and Personal Income Law. The amendments, based on recommendations from a detailed review, will address current weaknesses with respect to tax efficiency, equity, and incentives for compliance.</p>  |    | <p><b>On track</b></p> <p>Following a review by the World Bank, the draft Income Tax Law has undergone another round of consultations with the private sector to address concerns. Changes were made and the draft was submitted to the Bank and IMF for review. It is expected that the draft law will be approved by Cabinet in early January.</p>  |
| <p><b>(4) Land Administration and Management</b></p> <p>(i) The Cabinet approves the new land acquisition law. The new law will include a resettlement and compensation framework in accordance with international good practice.</p> <p>(ii) ARAZI establishes a fully operational complaints and grievance redress unit, including an anti-corruption and complaint hotline.</p> |    | <p><b>Risk of Delay</b></p> <p>The draft law is, in principle, ready for cabinet submission. It was first tabled during a cabinet meeting in May 2016, together with the draft ARAZI law and the draft law on the Registration of Urban Informal Properties. However, an incorrect version of the draft laws was presented. As a result, the laws were not approved and the decision was delegated to the High Council of Water and Land for review. The High Council met in November to review the laws but they were again turned back for further changes—mainly due to the Informal Properties law—to ensure that the legislations adequately embed the plans for the new land allocation plan (for returnees and IDPs). The laws will be retabled again in January 2017.</p>   |
| <p><b>(6) Doing Business Reforms</b></p> <p>The government unifies and implements the business and investment licensing and registration systems under the Afghanistan Central Business Registry across the country.</p>   |    | <p><b>Achieved as of December 2016.</b> See verification protocol in Annex 5 for details.</p>   |
| <p><b>(7) Sustainability of Pension and Social Benefits</b></p> <p>(i) The Cabinet approves amendments to the pension-related laws in line with recommendations from the pension review.</p> <p>(ii) MoLSAMD has introduced biometric verification/proof of life for the martyrs and disabled beneficiaries registered in the MDMIS.</p>   |  | <p><b>Risk of Delay</b></p> <p>This trigger will be pending until its achievement in 2016. The policy recommendation from the pension review is yet to be presented to the Cabinet for discussion/approval. The Cabinet may consider an amendment to the pension-related laws after approval of the pension policy recommendation on parametric changes to the public pension program. Given the speed of progress to develop initial pension reform recommendations, the risk is high that legislative changes will not be achieved in 2016.</p> <p>A management information system (MIS) for the Martyrs and Disabled benefit program is being developed. Biometric verification/proof of life for these beneficiaries will be built in the new MIS. It was expected that the MIS and the system of verification/proof of life will be in place by the end of December 2016. But based on the recent reports from MoLSAMD, the system will be functional only in February – March 2017.</p> |
| <p><b>(8) Electronic Payment Systems</b></p> <p>(i) DAB finalizes the functional specifications of the Automated Transfer System (ATS) and policy framework for its operation.</p> <p>(ii) DAB and MoF transfer 20% of public salaries of central ministries by existing electronic means.</p>   |  | <p><b>Risk of Delay</b></p> <p>A workshop was held in Dubai to draft the functional specifications of ATS, which are being finalized by the DAB technical teams to present to the executive board for approval and subsequently announce it as a public document.</p> <p>The ATS contract should be completed by end of 2016. The contract is being implemented and the functional specification document has been finalized. The hardware will be delivered after the document is developed and approved. The transfer could begin in early 2017.</p>  |

| 2016 BENCHMARKS  |   | PROGRESS  |
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| <p><b>(9) Fiscal Deconcentration and Provincial Budgeting</b></p> <p>The MoF shifts the delegation of budget authority from central ministries to provincial directorates of four ministries, in line with the budget policy and financial regulations.</p>  | ✓   | <p><b>Achieved as of June 2016.</b> See verification protocol in Annex 5 for details.</p>   |
| <p><b>(10) External Audit</b></p> <p>(i) The SAO carries out performance audits of core functions of two ministries in line with INTOSAI standards. As part of the audit process, the SAO develops a mechanism for citizen participation in audits and issues a policy governing citizen participation in public oversight of public funds.</p> <p>(ii) In line with the notification letter, four key government ministries implement at least 40% of the agreed audit recommendations in FY15 audit reports.</p> |  | <p><b>On Track</b></p> <p>In 2016, the SAO started implementing the developed framework for the performance audit developed in 2015 as part of the program. The SAO has conducted a performance audit of core functions of two line ministries, MEW and MoLSAMD. In both ministries, procurement and HR functions were selected. The audit teams have completed the strategy and audit planning phase and conducted the audit field work in both the ministries. The draft performance audit reports have also been prepared.</p> <p>Progress of the 2016 benchmark remains on track. The SAO should be able to complete the performance audit reports and policy for citizen participation in public oversight requirements within the set deadline.</p> <p>The SAO has selected four key government ministries (Public Health, Defense, Interior, and Education) for the implementation of 40% of audit recommendations in the FY15 audit reports. The SAO had conducted 64% of audit recommendations in these ministries by December 1, 2016. This supersedes the requirement for the IP.</p> <p>After reviewing the evidence provided on the progress of achieving the IP triggers for external audit, we can conclude that both the IP triggers have been substantially completed, with the only exception being the delay in conducting the study tour, which may impact drafting the policy on citizen participation. We have communicated our concerns and have requested the SAO management to expedite the study tour plan and drafting of the citizen participation policy within the deadline of December 31, 2016.</p> |



# ANNEX 5

## Incentive Program Verification Protocols

| BENCHMARK                           | (4) TAX POLICY – 2015   |
|-------------------------------------|---|
| <b>AGREED BENCHMARK</b>             | <p>(i) As part of the revenue measures agreed with IMF under the SMP, the MoF decrees the introduction of a mobile telecommunication top-up fee, an increase in the Business Receipt Tax, and an increase in the fuel and toll fees.</p> <p>(ii) The MoF establishes and the Cabinet authorizes an inter-ministerial and interdepartmental committee for tax policy. The main function of the committee, which may have a flexible structure, should review, discuss, and advise on all major tax policy proposals in a time-bound manner prior to approval by Cabinet and ensure that all relevant stakeholders are consulted.</p>   |
| <b>REQUIRED SUPPORTING EVIDENCE</b> | <p>(i) Copies of the gazetted decrees and satisfactory review by IMF staff.</p> <p>(ii) Copy of Cabinet-approved procedure and committee's ToR and minutes of the Cabinet decision.</p>   |
| <b>VERIFICATION PROCESS</b>         | <p>The World Bank reviewed the following documents submitted by the MoF:</p> <ul style="list-style-type: none"> <li>(i) Copies of all gazetted decrees.</li> <li>(ii) ECF program document, July 2016.</li> <li>(iii) ToR of tax policy committee and minutes of Cabinet meeting of March 30, 2016.</li> </ul> <p>The World Bank team also participated in IMF ECF and staff-level meetings over the course of 2016.</p>  |
| <b>CONCLUSION</b>                   | <p>The benchmarks have been fully achieved with a three-month delay. The revenue measures show strong traction on revenue mobilization. The new tax policy committee appears to be functioning well but needs to be further tested.</p>   |
| <b>SUMMARY ASSESSMENT</b>           | <p>The first part of the benchmark—the revenue measures—were part of the IMF-supported SMP and were included in the ARTF IP to leverage progress toward a new Extended Credit Facility. The revenue measures were introduced and implemented with some delay in November 2015. Since then the measures have shown significant impact on revenue mobilization.</p> <p>Following three years of poor performance, revenue collections increased significantly in 2015 reaching 122.4 billion afghanis—a 22 percent increase compared to 2014. This increased the revenue to a GDP ratio from 8.7 percent in 2014 to 10.4 percent in 2015. Our analysis shows that the new tax measures accounted for 39 percent of the revenue increase<sup>9</sup>.</p> <p>Preliminary analysis suggests that the revenue measures continue to fuel revenue growth in 2016. In the first eight months of the fiscal year, domestic revenues amounted to 90.4 billion afghanis, nearly 30 percent higher than the figure recorded for the same period last year. Compared to the same period last year, tax revenues increased by 26 percent, while non-tax revenues increased by 70 percent. Projections indicate that the government may overreach its revenue target of 133.5 billion afghanis for domestic revenues by around 5 percent. However, the revenue measures were introduced against the backdrop of low growth. Given that growth recovery is slow, the revenue measures are pro-cyclical. Revenue and growth performance are monitored closely by the IMF and World Bank teams.</p> |

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| BENCHMARK                      | (4) TAX POLICY – 2015 (continued)  |
|--------------------------------|--|
| SUMMARY ASSESSMENT (continued) | <p>The second part of the trigger on establishing a tax policy committee was approved at a Cabinet meeting on 11/1/1395 (March 30, 2016). The ToR for this committee has also been finalized.</p> <p>The objective of the tax policy committee is to ensure consultations across ministries and relevant private sector or civil society groups on all new tax measures. The Tax Policy Development Committee will comprise senior officials from the Ministry of Finance, Ministry of Commerce and Industries, and Ministry of Economy as permanent members. Other participants will be invited based on the thematic area of the tax measure under discussion. The committee has advisory functions to the Cabinet. The Macro Fiscal Department within MoF will act as the secretariat of the committee.</p> <p>The tax policy committee has met in 2016 to discuss the draft income tax law. Due to concerns from the private sector, the draft law has been returned for further revisions. So far, the new coordination mechanism appears to be working. However, it needs to be further tested to assess the sustainability and quality of the new process, especially for revenue measures that are initiated outside of the MoF.</p> |
| RECOMMENDATIONS                | <p>Moving forward, the World Bank team recommends:</p> <ul style="list-style-type: none"> <li>• Carefully monitoring the macro-fiscal framework to ensure that revenue measures are not depressing private sector growth. Continued improvements in the tax administration, as a supporting measure, could help to mitigate and balance the concerns of the private sector.</li> <li>• Strengthen the capacity of the MoF to conduct tax policy analysis.</li> </ul>   |
| BENCHMARK                      | (6) DOING BUSINESS REFORMS – 2015  |
| AGREED BENCHMARK               | <p>The Cabinet approves a roadmap, which includes a description of all required institutional and regulatory changes for the establishment of a unified business registration system that provides the right to invest, trade, and conduct usual business activities to the license holders as well as delineates the roles, ownership, and management responsibilities of the MoCI and AISA in relation to business registration and licensing.</p>   |
| REQUIRED SUPPORTING EVIDENCE   | <p>Copy of the roadmap and minutes of the Cabinet meeting.</p>   |
| VERIFICATION PROCESS           | <p>The World Bank reviewed the following document submitted by the MoCI:<br/>Copy of presidential decree of September 8, 2016, ordering the merger of the Afghanistan Investment Support Agency and the establishment of a unified business registration system. The decree assigns the following tasks to the MoCI:</p> <ul style="list-style-type: none"> <li>(i) Within four months review all relevant laws and regulations and report any discrepancies to Ministry of Justice.</li> <li>(ii) All AISA assets to be transferred to MoCI.</li> <li>(iii) Integrate AISA staff into the MoCI Tashkeel based on staffing needs.</li> </ul> <p>The World Bank team met several times with Deputy Minister Haqjo and his team to discuss proceedings on the merger of the business registration system.</p>  |



| BENCHMARK                        | (6) DOING BUSINESS REFORMS – 2015 (continued)   |
|----------------------------------|---|
| <p><b>SUMMARY ASSESSMENT</b></p> | <p>Government and development partners have been working toward unifying the fragmented business registration and licensing system since 2012.</p> <p>“Licensing” in Afghanistan is a complex matter. In most countries, new businesses register for a permit only once for legal and tax purposes. Licenses are typically issued to businesses that are active in regulated markets (e.g., telecommunication, pharmaceuticals, banking) and are a means to ensure that businesses meet certain requirements or operate in compliance with rules and norms established for specific sectors (e.g., safety, consumer protection, prevention of crime). Afghanistan is unique in that business licensing is used to enforce tax compliance.</p> <p>Until recently, businesses were required to relicense annually after proving that their tax liabilities were cleared and paid. Moreover, licensing responsibilities were divided between the AISA and MoCI. This fragmentation was intended to overcome capacity constraints within the MoF in the early years of reconstruction. The AISA—due its legal status as a limited liability company—was in a better position to hire qualified staff and manage the investment licensing system effectively.</p> <p>However, this licensing practice—initially conceived to be a temporary arrangement—has evolved over time into a convoluted and cumbersome process that presents serious obstacles to doing business in Afghanistan. Businesses frequently lose their license because of inefficiencies of the tax administration and are subjected to rent-seeking along the lengthy process chain with limited bargaining power and few possibilities of recourse. Moreover, businesses had to pay a fee for the renewal of licenses, which kept increasing over time, mainly because they constituted the sole source of income for the AISA.</p> <p>Government recognized that the licensing practice needed to be reformed. However, the reform proved very difficult as it required finding a new business model for the AISA, unifying the licensing system to allow for further streamlining and strengthening the tax administration. As a first step in 2013, the government prolonged the validity of the licenses from one to three years. However, the AISA did not follow the order and continued to issue licenses with one-year validity.</p> <p>Discussions over the AISA’s future role in business facilitation and its business model continued for several years with little agreement among involved parties. Momentum was gained over the past year under the National Unity Government leadership. In February 2016, the Cabinet tasked a technical committee consisting of representatives from the Ministries of Justice, Commerce and Industries, Economy, Finance and AISA to look into issues surrounding business licensing and weigh different options. In late August 2016, the High Economic Council finally decided to merge the AISA and MoCI and unify the licensing system. The merger initiated a process of migrating the licensing department of the AISA to MoCI and the establishment of a new “one-stop shop” facility (under the authority of the MoCI).</p> <p>The merger and unification of the systems will finally pave the way for streamlining the licensing process, including through allowing interfaces between the electronic licensing and tax administration systems, and enabling e-applications.</p> |
| <p><b>RECOMMENDATIONS</b></p>    | <p>Moving forward, the World Bank team recommends:</p> <ul style="list-style-type: none"> <li>• To carefully assess staffing needs of the MoCI and agree on socially sensitive transition arrangements with former AISA staff.</li> </ul>   |

| BENCHMARK                    | (3) TAX ADMINISTRATION: REORGANIZATION AND MODERNIZATION – 2016   |
|------------------------------|---|
| AGREED BENCHMARK             | <p>(i) The ARD fully roll-outs SIGTAS and risk-based compliance audits to at least five additional (key) provinces.</p> <p>(ii) The ARD streamlines tax payment and reporting procedures to remove obstacles to taxpayer compliance. This includes the issuance of tax clearance certificates irrespective of planned or active audits and reducing the number of administrative steps to pay taxes by cash and wire transfer.</p>  |
| REQUIRED SUPPORTING EVIDENCE | <p>(i) Copies of provincial SIGTAS reports; reports of the audit committee indicating details on the selection and results of the audits.</p> <p>(ii) Copies of decrees and directives.</p>   |
| VERIFICATION PROCESS         | <p>On December 5, 2016, the ARD provided hard copies of the following documents:</p> <p>(i) Copies of SIGTAS user reports from five additional provinces where SIGTAS had been rolled out in 2016: Faryab, Ghazni, Laghman, Pakiya, and Parwan. In addition, the ARD provided the administrative directives for roll-out to the provinces.</p> <p>(ii) Reports of audit committees detailing selection of risk-based audit and audit results for five additional provinces: Balkh, Herat, Kandahar, Kunduz, and Nangarhar. The documentation includes:</p> <ul style="list-style-type: none"> <li>• A sample introductory letter from the roll-out team from Kabul, which introduced risk-based audits.</li> <li>• The dates and times of weekly audit committee meetings and names of committee members (provincial directors of different departments). Each province has had several audit committee meetings.</li> <li>• The taxpayer profile of companies that were selected for audit.</li> <li>• Audit results in a table comparing 2016 to 2015.</li> </ul> <p>(iii) Copy of the letter from the Revenue Department to Large, Medium, and Small Taxpayer Offices, and Complaints, Non-Tax Revenue, Provincial Office, and Systems departments introducing a new tax clearance procedure.</p> <p>(iv) Copy of the procedure and a detailed eight-page guideline. This letter directs these units of the ARD to separate the tax clearance certificate from the audit report.</p> <p>(v) Copy of the letter to Large, Medium, and Small Taxpayer Offices, and Complaints, Non-Tax Revenue, Provincial Office, and Systems departments introducing simplification of payment processes. The letter directs these units of the ARD to use new simplified procedures. The units are provided with a five-page guidance note on the simplifications, which reduce the administration process for payment of taxes from five to three steps.</p> <p>The World Bank tax team was in regular contact with the ARD technical and management staff over the reporting period. A complementary ARTF technical assistance program (P150632 – Second Public Financial Management Reform Program, Additional Financing (PFMR II)) equipped the ARD with supporting resources to meet its objectives.</p> |
| SUMMARY ASSESSMENT           | <p>The evidence provided confirms that the ARD has fully met the requirements of this trigger. The ARD demonstrated determined leadership, acting quickly to implement policy and technical actions to meet the revised 2016 ARTF-IP triggers. The achievement of this milestone will strengthen the capacity of tax administration to process information, better control compliance, and decrease taxpayers' burden to comply with tax obligations. Streamlining tax payment and reporting procedures will continue be instrumental in easing taxpayer compliance. In conjunction with the unified licensing system at the MoCI, these measures should significantly reduce the time and cost of business license renewal.</p>  |



| BENCHMARK  | (3) TAX ADMINISTRATION: REORGANIZATION AND MODERNIZATION – 2016 (continued)   |
|------------|---|
| ASSESSMENT | <p><b>SIGTAS</b><br/>Full automation of tax administration is key to enhance the ARD's performance as part of its institutional transformation. Modernization of tax administration requires continuous application of technology and increased automation of core business functions. Tax administrations must be able to process huge volumes of information in a timely and reliable way in order to reduce the costs of administration and compliance and increase reliability, accuracy, and timeliness of the information processed.</p> <p>Full deployment of the new revenue administration management information system (SIGTAS) is thus a prerequisite for improved efficiency. The ARD faced the significant challenge of rolling out SIGTAS to five additional provinces while also addressing major technical and management challenges over the first half of 2016.</p> <p>A World Bank diagnostic in early 2016 noted that a comprehensive plan was required to complete the implementation of SIGTAS. This plan would need to address new functionalities, including maintenance, e-services solutions, migration of data, and training of staff. It identified that a lack of ownership and lack of a change management program had inhibited system roll-out. The assessment also indicated that the functionality of the SIGTAS system was at risk, with aging equipment and protocols threatening business continuity.</p> <p>Remarkable progress has been made to address these challenges. Most importantly, the ARD demonstrated strong ownership of the system once it was able to access resources through PFMR II. The ARD, with support from other MoF departments, reallocated staff resources to address key issues. The ARD addressed the most urgent technical challenges, such as software and equipment upgrades for the SIGTAS system to remain functional, while continuing deployment of the system. SIGTAS is now covering key business processes in key provinces.</p> <p>Yet, many challenges remain with regard to system maintenance and operation, which will require more resources to address. Going forward, additional progress is needed in the area of e-services and training of staff in the new tools.</p> <p><b>RISK-BASED COMPLIANCE AUDITS</b><br/>An international good practice in tax administration is to use risk criteria to select cases for audit. Tax audits should be targeted at sectors and taxpayers that pose higher risk to revenue. This would also be conducive to decreasing the compliance burden of compliant taxpayers, thereby improving the perception of fairness of the tax administration in administering the tax system.</p> <p>The key objective of tax audits is deterrence in order to foster voluntary compliance. Targeted tax audits based on risk assessment in combination with facilitation of compliance is the best strategy to increase voluntary taxpayer compliance with tax laws.</p> <p>The procedure to conduct risk-based audits requires that case managers register risk scores for all returns using risk guidelines. On this basis, Compliance Committees select cases for audit.</p> <p>Despite limited capacity in tax audit, it is a significant achievement for the ARD to start conducting risk-based audits both at the center and in the provinces. It will be vital to keep track of results of these audits in terms of additional assessments and litigation to better assess effectiveness of tax audit plans. The evidence submitted by the ARD incorporates part of this information.</p> |

| BENCHMARK                                | (3) TAX ADMINISTRATION: REORGANIZATION AND MODERNIZATION – 2016 (continued)   |
|--|---|
| <p><b>ASSESSMENT</b><br/>(continued)</p> | <p><b>TAX CLEARANCE CERTIFICATES AND SIMPLIFICATION OF TAX PAYMENTS</b></p> <p>Businesses are required to obtain tax clearance certificates to renew their business licenses. In the past, the ARD did not provide these certificates if an audit of the business was ongoing. As a result, many businesses were not able to renew their licenses for extended periods, resulting in a significant barrier to doing business.</p> <p>Under the revised processes, tax audits do not have to be completed to obtain an annual tax clearance certificate. This simple change should resolve a significant bottleneck. Tax audits involve careful planning and a significant amount of time and resources, while tax clearances are highly time sensitive. This obligation is not only an undue burden on the taxpayer, but also a motivation for corruption. The issuance of tax clearance certificates irrespective of planned or active audits is a significant achievement in removing obstacles to taxpayer compliance.</p> <p>Moreover, the ARD has significantly simplified tax procedures, easing the taxpayer compliance burden. The number of administrative steps to pay taxes has been reduced from five to three for cash and electronic payments, which should significantly reduce the number of visits and delays for taxpayers. The new tax payment procedure is as follows:</p> <ol style="list-style-type: none"> <li>1. The taxpayer receives the declaration forms, which are entered in the system and stamped by the ARD. The taxpayer can also download the forms online without coming to the office.</li> <li>2. The taxpayer fills the declaration forms and makes payment to the bank. Previously, this was only available at one branch. Now, all the branches of the Central Bank accept payments and payments are accepted by wire transfer.</li> <li>3. The taxpayer submits the completed forms to the tax administration office. Completed forms can be deposited in a box at the tax office. The ARD staff do the data entry. If the balance is zero, the process is complete and the tax declaration form is issued and can be picked up. If there are documents missing or amounts outstanding, the ARD contacts the taxpayers for follow-up. If unresolved, cases will be flagged for audit, but the clearance letter will be issued regardless.</li> </ol> <p>Continued deployment and development of the online system can further ease restrictions and administrative cost. This is a long-term objective to be achieved with the full deployment of SIGTAS.</p> |
| <p><b>RECOMMENDATIONS</b></p>            | <p>Moving forward, the World Bank team recommends:</p> <ul style="list-style-type: none"> <li>• <b>SIGTAS:</b> The on-going IT assessment should be completed, including a functional review of SIGTAS. In parallel, the ARD should carry out a process mapping and business process re-engineering exercise. These reviews will support continued simplification and automation.</li> <li>• <b>Risk-based audit:</b> The ARD should track tax audit cases selected using risk parameters to assess results. The outcomes of audits should be analyzed to continue refining risk parameters and to address compliance gaps through administrative and policy actions.</li> <li>• <b>Tax clearance certificates:</b> The use of these certificates is a strong enforcement measure. However, this practice has also been identified as a barrier to business registration. The ARD should analyze whether other enforcement measures could be implemented to replace the use of tax clearance certificates in the future.</li> </ul>   |



| BENCHMARK                    | (6) DOING BUSINESS REFORMS – 2016  |
|------------------------------|--|
| AGREED BENCHMARK             | <p>The government unifies and implements the business and investment licensing and registration systems under the Afghanistan Central Business Registry (ACBR) across the country.</p>   |
| REQUIRED SUPPORTING EVIDENCE | <p>Field visit report and registry report showing issuance of at least 250 business licenses renewed within 25 days from submission of complete applications per quarter.</p>  |
| VERIFICATION PROCESS         | <p>The World Bank reviewed the following documents submitted by the MoCI:</p> <ul style="list-style-type: none"> <li>(i) A copy of a unified business license with a three-year validity.</li> <li>(ii) Report produced by the Afghanistan Central Business Registry database documenting the issuance of 712 new licenses and 1,853 renewals across the country between October 1, 2016, and November 7, 2016.</li> </ul> <p>The World Bank confirmed during a visit to the MoCI that licenses through the ACBR are issued the same day of application.</p>   |
| CONCLUSION                   | <p>The World Bank team validates that the benchmark has been achieved. The electronic licensing systems of the AISA and MoCI have been merged and the unified Afghanistan Central Business Registry is operating successfully. Licenses are issued within a day of application. Moreover, in conjunction with the recent procedural changes introduced by the Afghanistan Revenue Department, going through the entire tax payment and license renewal process should now take 14 days at most and significantly less, if no issues are encountered during the tax payment process.</p>  |
| SUMMARY ASSESSMENT           | <p>Following the decision to merge the AISA and MoCI in August 2016, the government has rapidly followed through the agreed course of action. The AISA's and MoCI's licensing departments relocated to the newly established One Stop Shop in Kabul. The unified ACBR and One Stop Shop were formally inaugurated on September 28, 2016.</p> <p>Since then, the MoCI has made the following changes to the licensing process:</p> <ul style="list-style-type: none"> <li>(i) There is no longer a distinction between "business" and "investment" licenses.</li> <li>(ii) All licenses will have a three-year validity.</li> <li>(iii) A separate business registration certificate has been abolished.</li> <li>(iv) A flat fee of 18,000 afghanis (sole proprietorships) and 30,000 afghanis (limited liability companies) for all new licenses and renewals has been introduced, effectively reducing the annual fee that ranged from \$100 to \$5,000.</li> </ul> <p>These are very positive steps in the right direction. Upon application at ACBR, a license is now issued or renewed within a day.</p> <p>However, the licensing process is still plagued by a number of issues:</p> <ul style="list-style-type: none"> <li>(i) The merger of the AISA and MoCI created much uncertainty over roles and responsibilities between staff of the licensing departments, and capacity differences between ex-AISA and MoCI staff is large. The situation affects the level of organization within the department, staff morale, and ultimately the quality of services provided to companies.</li> <li>(ii) The lack of a clear institutional structure and the lack of clarity of processes and procedures create new governance vulnerabilities that are not fully controlled.</li> <li>(iii) Initial assessments indicate that the unified ACBR is only functioning in Kabul, Balkh, Herat, Nangarhar, and Kandahar. In many provinces, companies send staff to Kabul or other large provinces to go through the licensing process, which stretches the capacity of these offices.</li> </ul> <p>Moreover, the benchmark required that the license renewal process be shortened to 25 days from start to finish (the formulation of this requirement is not explicit, but derives from the evidence). While this has been achieved for the actual license process at the ACBR, the license renewal process in effect begins with the tax payment and clearance process at the ARD. In this respect, the language of the benchmark is ambiguous. However, in conjunction with the recent procedural changes introduced by the Afghanistan Revenue Department (see verification protocol # 3), going through the process should now take 14 days at most and significantly less, if no issues are encountered during the tax payment process. The new system will need to be tested in early 2017. To this end the World Bank team will track progress and expand the mapping process to the ARD, and will, if necessary, discuss remedial actions with both ministries.</p> |

| BENCHMARK                    | (6) DOING BUSINESS REFORMS – 2016 (continued)   |
|------------------------------|---|
| RECOMMENDATIONS              | <p>Moving forward, the World Bank team strongly recommends:</p> <ul style="list-style-type: none"> <li>• Review and establish relevant processes and procedures for the unified licensing system.</li> <li>• Address staffing needs of the One Stop Shop in Kabul and provinces and better define and delineate roles and responsibilities of staff members.</li> <li>• Assess and harmonize the functioning of provincial offices.</li> <li>• Conduct a governance vulnerability assessment of the One Stop Shop to inform actions to reduce opportunities for corruption.</li> </ul>  |
| BENCHMARK                    | (9) FISCAL DECONCENTRATION AND PROVINCIAL BUDGETING – 2016  |
| AGREED BENCHMARK             | <p>The MoF shifts the delegation of budget authority from central ministries to provincial directorates for four ministries, in line with the budget policy and financial regulations.</p>  |
| REQUIRED SUPPORTING EVIDENCE | <p>The World Bank team reviewed the following material submitted by the MoF:</p> <ul style="list-style-type: none"> <li>(i) Guidelines on provincial budget policy, which provide provincial budgeting objectives, roles and responsibilities in planning budget, execution, procurement, capacity building, and reporting mechanisms.</li> <li>(ii) Copy of the letter indicating that the guidelines were sent to the four ministries, i.e., Ministry of Education, Ministry of Public Health, Ministry of Agriculture, Irrigation and Livestock, and Ministry of Rural Rehabilitation and Development.</li> <li>(iii) Budget Circular 1 and Budget Circular 2.</li> </ul>  |
| SUMMARY ASSESSMENT           | <p>After reviewing the evidence provided, we concluded that the government has achieved the IP trigger on fiscal deconcentration and provincial budgeting for 2016.</p>   |
| ASSESSMENT                   | <p>The objective of this reform is to strengthen the budget process and improve allocative efficiency by transferring more budgetary authority and responsibility from central line ministries to their provincial line directorates. Reform progress in 2016 continues to be smooth and rapid:</p> <ul style="list-style-type: none"> <li>(i) The government achieved progress in working with line ministries to delegate planning, procurement, and budgetary authority to their provincial line directorates. For the 1396 (2017) financial year, the government conducted trainings for central ministries and targeted line directorates in preparing Budget Circular 1 and 2 submissions. The provincial submissions were integrated into the national draft budget. This meets the requirements of the 2016 trigger.</li> <li>(ii) The government continues to work toward greater fiscal deconcentration in providing discretionary funding for provincial development priorities through an unconditional fund. The unconditional fund will be budgeted through the discretionary development budget. The government is developing guidelines for the unconditional fund program implementation.</li> <li>(iii) The government has started work on revising the budget calendar to allow line ministries more time for consultation with their line provincial directorates.</li> <li>(iv) The Fiscal Deconcentration Working Group is in place and is working, inter alia, on the terms of reference for the Provincial PFM Committees. These committees, once constituted, will be responsible for identifying capacity needs, improving coordination with the central ministries, among others.</li> </ul> |



| BENCHMARK       | (9) FISCAL DECONCENTRATION AND PROVINCIAL BUDGETING – 2016 (continued)   |
|-----------------|--|
| RECOMMENDATIONS | <p>The government is moving forward in deconcentrating planning, procurement, and budgeting through delegation of authority. Going forward, the government is planning to:</p> <ul style="list-style-type: none"><li>• Review existing legislation and regulation to identify areas for clarification of the roles and responsibilities of the Ministry of Finance, line ministries, and their provincial line directorates.</li><li>• Harmonize fiscal deconcentration with the Subnational Governance Policy and laws relating to subnational governance bodies (e.g., provincial council).</li><li>• Harmonize budgeting and reporting processes and procedures between national and provincial bodies.</li></ul> |





# Afghanistan Reconstruction Trust Fund



The ARTF was established in 2002 to provide a coordinated financing mechanism for the Government of Afghanistan's budget and national investment projects. Fourteen years later, the ARTF is the largest single source of on-budget financing for Afghanistan's development. The ARTF remains the vehicle of choice for pooled funding, with low transaction costs, excellent transparency and high accountability, and provides a well-functioning arena for policy debate and consensus creation (External Evaluation 2012 "ARTF at a Cross-Roads"). The ARTF is delivering important results within key sectors, including education, health, agriculture, rural development, infrastructure, and governance. It is also the World Bank's largest single country multidonor trust fund. As of December 20, 2016 the ARTF had received a total of \$9.5 billion.

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