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Afghanistan Reconstruction Trust Fund Report to Donors

*First Quarter of the Afghan Fiscal Year 1387
March 20, 2008 to June 20, 2008*



Prepared by the Administrator (The World Bank)

**ARTF Management Committee:
Asian Development Bank, Islamic Development Bank,
United Nations Development Programme, World Bank**

CURRENCY EQUIVALENT

(Effective June 20, 2008)
Currency Unit = Afghani (AFN)
US\$ 1 = 49.95 AFN

GOVERNMENT'S FISCAL YEAR (SY1387)
March 20, 2008 – June 20, 2008

Solar Year	Period
SY 1381	March 21, 2002 – March 20, 2003
SY 1382	March 21, 2003 – March 19, 2004
SY 1383	March 20, 2004 – March 20, 2005
SY 1384	March 21, 2005 – March 20, 2006
SY 1385	March 21, 2006 – March 20, 2007
SY1386	March 21, 2007 – March 19, 2008
SY 1387	March 20, 2008 – March 20, 2009

Contact Information for the ARTF

World Bank Kabul Office
Street 15, House 19
Wazir Akbar Khan
Kabul, Islamic Republic of Afghanistan
Telephone: 0700-27-60-02

Mariam Sherman – **Country Manager** - msherman@worldbank.org

Hugh Riddell – **ARTF Coordinator** – hriddell@worldbank.org

Paul Sisk – **Task Team Leader, Recurrent Cost Financing** - psisk@worldbank.org

Ludmilla Butenko – **Operations Advisor, Investment Financing** - lbutenko@worldbank.org

N. K. Thondaiman – **Financial Management Analyst** – nthondaiman@worldbank.org

For additional information: <http://www.worldbank.org/artf>

ABBREVIATIONS AND ACRONYMS

AEP	Afghan Expatriate Program	MoF	Ministry of Finance
AFMIS	Afghanistan Financial Management Information System	MoFA	Ministry of Foreign Affairs
AFN	Afghanis – Local Currency of Afghanistan	MoPW	Ministry of Public Works
AISA	Afghanistan Investment Support Agency	MRRD	Ministry of Rural Rehabilitation and Development
ARDS	Afghanistan Reconstruction and Development Services	MUDH	Ministry of Urban Development and Housing
ARTF	Afghanistan Reconstruction Trust Fund	NEEP	National Emergency Employment Program
CAWSS	Central Authority for Water Supply and Sewerage	NEEPRA	National Emergency Employment Project for Rural Access
CDC	Community Development Council	NGO	Non-Governmental Organization
CDP	Community Development Plan	NPBSE	Non-pension-based Salary Expenditure
DAB	Da Afghanistan Bank	NPP	National Priority Program
EQUIP	Educational Quality Improvement Program	NRAP	National Rural Access Program
FS	Fiduciary Standards	NSP	National Solidarity Program
GIRA	Government of Islamic Republic of Afghanistan	O&M	Operations and Maintenance
GoA	Government of Afghanistan	PAM	Performance Assessment Matrix
IARCSC	Independent Administrative Reform and Civil Service Commission	PBSE	Pension-based Salary Expenditure
IDA	International Development Association	PFEM	Public Finance and Expenditure Management
IMF	International Monetary Fund	PFM	Public Financial Management
KfW	Kreditanstalt für Wiederaufbau	PPU	Procurement Policy Unit
LEP	Lateral Entry Program	PRR	Priority Reform and Restructuring
MA	Monitoring Agent	SOE	Statement of Expenditures
MC	Management Committee	TAFS	Technical Assistance and Feasibility Studies
MCP	Management Capacity Program	TSA	Treasury Single Account
MDG	Millennium Development Goal	UNAMA	United Nations Assistance Mission in Afghanistan
MEW	Ministry of Energy and Water	UNDP	United Nations Development Program
MFI	Microfinance Institution	UNOPS	United Nations Office for Project Services
MISFA	Microfinance Investment and Support Facility for Afghanistan	USAID	United States Agency for International Development
MoC	Ministry of Communication	WB	World Bank
MoE	Ministry of Education		

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I. ADMINISTRATOR’S SUMMARY OF THE QUARTER

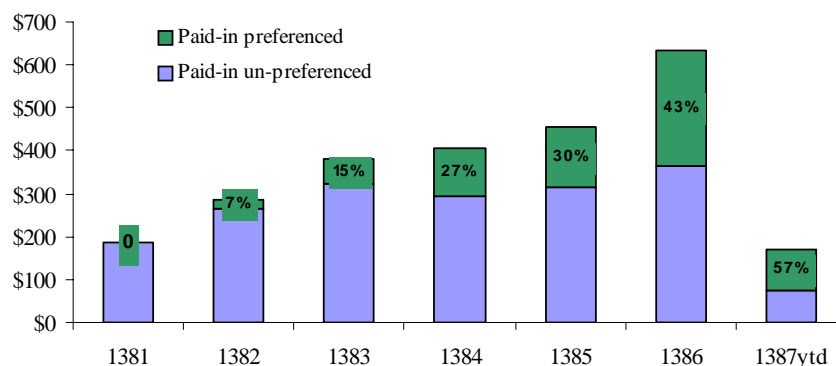
Introduction:

This report presents the ARTF’s financial and implementation status as of the first quarter of SY1387 which ended on June 20, 2008. We are also taking the opportunity, in Section III, to update our donors on implementation progress on the core rural development programs financed through the ARTF investment window. This will address the progress achieved, challenges faced and the measures to adapt to a fluid context on the ground.

As we reported in the last Annual Report to Donors, SY1386 saw a major scale-up of our support to the government, especially for national priority programs. Investment allocations went from US\$110.3 million in SY1385 to US\$310.6 million in SY1386. Recurrent cost support was steady at US\$291 million of commitments (and disbursements), of which US\$15 million was to reimburse the government for eligible expenditures that occurred in SY1385.

This scale up was financed through large contributions from 16 donors actively contributing during the year – and very sizeable contributions from Canada, United Kingdom, European Commission and Germany, all contributing in excess of US\$50 million. Some pledges intended for SY1386 were not received before the end of the year, notably the US contribution, and we have recorded these as SY1387 contributions.

Figure 1: Donor contributions SY1381-SY1387, US\$ m



ARTF Investment Plan in SY1387:

The ARTF plan for SY1387 is guided by the Afghanistan National Budget. The Management Committee has approved a ceiling of US\$276 million of financing for the recurrent cost window – to be allocated in four equal tranches throughout the year. (For more information about the Recurrent Cost Window, please turn to page 21). In addition, government investment proposals set out in the budget will be appraised by the Management Committee during the year. Allocations to programs will then disburse through the treasury systems according to the allotments made in the budget. No allocation is made without an allotment in the budget.

The level of financing available to government will of course depend on the level of contributions ARTF receives from its donors. The pledge information we received at the start of the year has changed substantially and as at publication of this Quarterly Report, the pledge stands at US\$670 million.

First Quarter Summary:

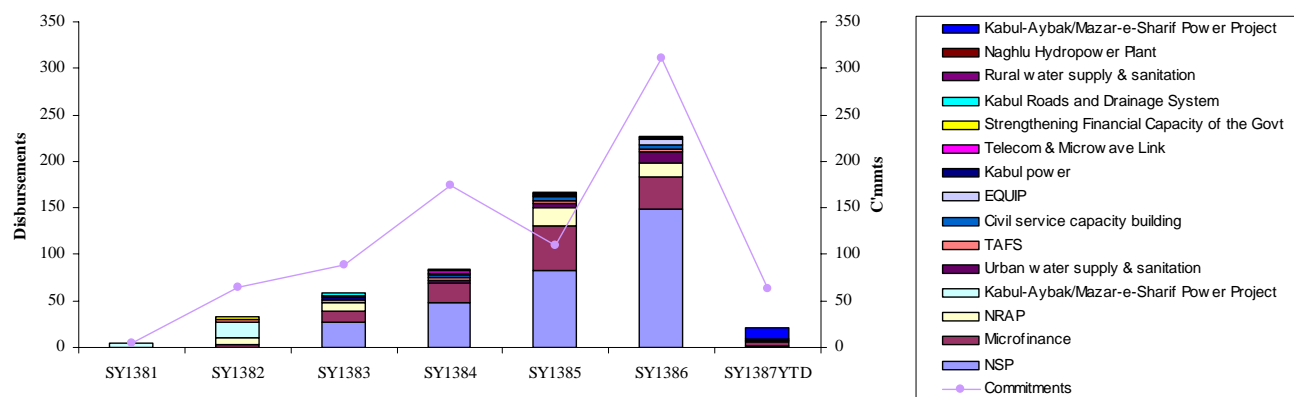
As noted above, some pledges intended for SY1386 were paid-in in the first month of SY1387. During the first quarter donors paid in US\$170 million, an increase of 43 percent on 1385. This has meant that the fund started the New Year with healthy cash balances – and during the first quarter of SY1387, ARTF active investment commitments increased by US\$63 million. This reflects the signing of the newly agreed Horticulture and Livestock Program for US\$11 million, and the Kabul Urban Reconstruction Project for US\$5.6 million. Additional contributions were made available to the on going programs: the National Solidarity Program for US\$20 million, EQUIP for US\$12 million and Microfinance for Poverty Reduction for US\$14 million. The ARTF investment portfolio is now financing 14 active public investment programs of the government. At the end of the quarter, the cumulative value of ARTF commitments stood at US\$2,308 million of which 87 percent has been disbursed.

ARTF operations use—and thereby seek to strengthen—the Government’s public financial management systems. ARTF disbursed US\$14 million to the Government of Afghanistan in the first quarter of SY1387. The bulk of the disbursement in this quarter (US\$11 million) was for the Kabul-Aybak / Mazar-e-Sharif Power Project. SY1387 disbursements for investment programs are projected at US\$300 million.

Overview of the portfolio¹:

Figure 2 presents the overview of the investment portfolio, in terms of year on year disbursements (bars) and commitments (line). The figure demonstrates the consistent growth of the portfolio over the 7 years of the ARTF. It also highlights that the ARTF has enabled a major scale up in the rural development sector, which has been able to absorb and disburse funding effectively. The National Solidarity Program and the National Microfinance Program have together received the majority of investment funds to date.

Figure 2: ARTF Disbursements and Commitments 1381 – 1387 (US\$ m)



Note: includes both active and closed investment projects.

The investment plan for SY1387 includes commitments of US\$433 million and disbursements are estimated at around US\$300 million.

¹ See Annexes I and II of this Quarterly Report for more detail.

Figure 3 underscores the different implementation status of the sectors. In rural development, commitments are 80 percent disbursed. However in both the human and institutional capacity sector, as well as in economic infrastructure, portfolio implementation is at an earlier stage, with projects still establishing implementation capacity in government agencies. The Administrator is responsible for supervision of the portfolio, and is following up to ensure effective implementation.

Figure 3: Composition of ARTF (active) Investment Window Financing (as of June 20, 2008)

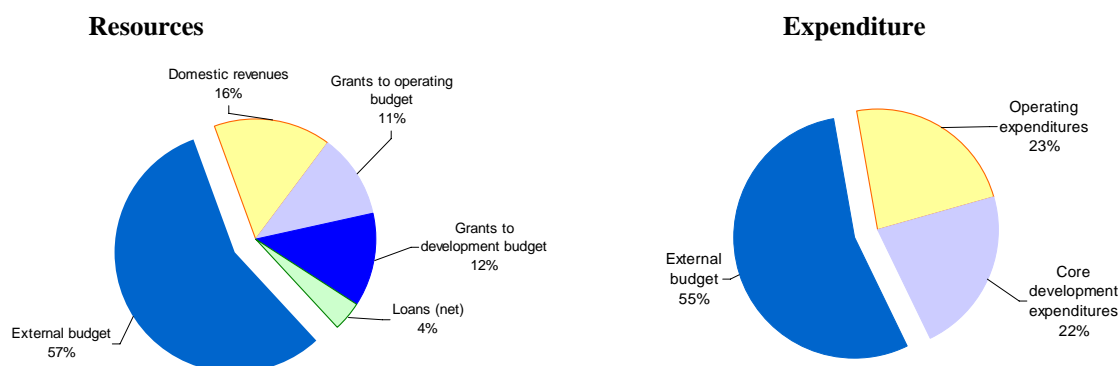
Active Projects	Total Allocation		Disbursement US\$ million	Disbursement %
	US\$ million	% of total		
Human & Institutional Capacity	85.5	14%	37.4	44%
TF050970 - Technical Assistance Feasibility Studies	18.5	3%	16.3	88%
TF090077 - Management Capacity Program	10.0	2%	0.0	0%
TF053940 - Civil Service Capacity Building	13.0	2%	12.0	92%
TF054730 - Education Quality Improvement	44.0	7%	9.1	21%
Rural Development Programs	393.6	65%	313.7	80%
TF050973 - National Emergency Rural Access Program	52.8	9%	51.9	98%
TF052452 - Microfinance Program	133.3	22%	123.4	93%
TF053939 - National Solidarity Program	191.5	31%	137.2	72%
TF091885 - Horticulture & Livestock Program	11.0	2%	0.0	0%
TF055447 - Rural Water Supply & Sanitation	5.0	1%	1.2	24%
Economic Infrastructure	131.0	21%	38.3	29%
TF052541 - Kabul Power Supply	7.4	1%	6.8	92%
TF054718 - Rehabilitation of Naghlu Hydropower Plant	20.0	3%	0.2	1%
TF092073 - Kabul Urban Reconstruction Project	5.6	10%	0.0	0%
TF054729 - Urban Water Supply and Sanitation	41.0	72%	19.6	48%
TF091120 - Kabul-Aybak/Mazar-e-Sharif Power Project	57.0	9%	11.6	20%
	610.2		389.4	64%

II THE ARTF IN RELATION TO THE BUDGET AND FLOW OF FUNDS

National Budget Structure

The national budget consists of a Core Budget and External Budget (see Figure 4 for SY1386). The Core Budget tracks those funds that flow through the government's treasury system and includes core operating expenditures and core development expenditures. By contrast, the External Budget includes expenditures disbursed directly by donors outside the treasury system. The external budget represents more than 55 percent of all expenditures in the country. All ARTF disbursements utilize the treasury system and thus, are reflected in the Core Budget.

Figure 4: Structure of the National Budget - SY1386 (Preliminary Actual)



Source: Ministry of Finance

Preliminary Results of SY1386 Budget

Revenue:

- Revenue fell short of the target by 6 percent (0.5 percent of GDP), although revenue increased by 16.8 percent in absolute terms over the previous year. Actual revenues were US\$672 million. Two major revenue items (income tax and custom duties) both missed the target due to (i) inadequate enforcement efforts, (ii) undervaluation of petroleum imports by customs, and (iii) lower than projected imports.

Expenditure:

- Core operating budget expenditures increased by 17 percent from SY1385 reaching US\$1,013 million. Wages and salary related expenditures have increased by 27 percent due to new hiring (mainly in the education sector) and across the board pay increases for the civil servants.
- Core development budget expenditures increased by 37 percent. The disbursement ratio was 63 percent. Although a new mechanism requiring more detailed budget proposals helped to increase the disbursement ratio, levels are still low.

Fiscal sustainability

- The fiscal sustainability indicator (the ratio of domestic revenues to core operating expenditures) was 66 percent in SY1386: as budgeted. This was possible because while revenues fell short of budget, so did core operating expenditures.

SY1387 Approved Budget

Budget Approval Process:

- For the first time, the National Assembly approved the budget before the beginning of the fiscal year. Good coordination between the Ministry of Finance and the comparatively improved capacity of the National Assembly's Budget Committee contributed to timely approval.

Revenue:

- The domestic revenues target for SY1387 is US\$888 million, 24 percent and 30 percent higher than the SY1386 budget and realization, respectively. Achieving the target requires additional efforts as tax base is low and the tax law amendments have not been approved by the National Assembly. In the first quarter (preliminary) revenues reached US\$170 million, about 7 percent below the target.

Expenditure:

- Core operating expenditures are budgeted at US\$1,307 million, 22 percent higher than the SY1386 budget. The increase is mainly due to the following factors:
 - An increase in the National Army and Police and a recruitment of an additional 12,500 teachers.
 - US\$40 million for fuel subsidy.
 - US\$46 million for the first phase of the Pay and Grading reform.
- Core development expenditures are budgeted at US\$1,388 million. Carryover from the previous year (about US\$788 million) is set to be included in the mid-year review.
- In the first quarter SY1387, core operating expenditures reached US\$203 million, 15 percent of the budget. Core development expenditures were US\$62 million, 4 percent of the budget.

Figure 5 – ARTF and the Core Budget: SY1381-1387
(US\$ million)

In Millions of USD	SY1381	SY1382	SY1383	SY1384	SY1385	SY1386	SY1387
	2002/03	2003/04	2004/05	2005/06	2006/07	Pre Actual	2008/09 Budget
A. Domestic Revenues	129	208	269	416	581	670	888
B. Expenditures	342	645	874	1,077	1,567	1,977	2,695
Operating Expenditures	342	452	558	652	863	1,013	1,307
Wages and Salaries	n/a	299	374	412	529	671	848
Goods and Services	n/a	95	110	135	248	254	222
Capital Expenditure	n/a	41	41	62	40	28	20
Other	n/a	17	32	44	47	60	218
Development Expenditures	-	193	317	425	704	963	1,388
C. Fiscal Deficit (before grants)	213	438	606	661	986	1,306	1,808
D. Donor Grants	208	299	487	725	717	694	1,846
ARTF	59	236	294	337	466	517	576
Recurrent	59	214	235	253	300	291	276
Investment	-	22	59	84	166	226	300
Other	149	63	193	388	250	177	1,269
E. Fiscal Deficit (after grants)	5	139	119	(64)	269	612	(38)
F. Financing	5	139	119	(64)	269	612	(38)
External financing (net)	n/a	100	309	107	27	169	-
Sale of Non-Financial Assets	n/a	-	-	56	40	1	-
Domestic financing (net, incl. adjsmnts)	n/a	39	(191)	(228)	202	444	(38)
Memorandum Items							
External budget	n/a	4,222	4,582	3,005	2,714	2,367	4,859
GDP	4,084	4,667	5,454	6,771	7,710	9,561	11,790
Exchange rate	45	49	48	50	50	50	50
Domestic revenues (% GDP)	3.2	4.4	4.9	6.1	7.5	7.0	7.5
Expenditures (% GDP)	8.4	13.8	16.0	15.9	20.3	21	22.9
Fiscal deficit (before grants, % GDP)	5.2	9.4	11.1	9.8	12.8	14	15.3

Sales of Non-Financial Asset include the Telecom licenses sold in 2005/06 & 1385 (from IMF).

* **1386** preliminary realization is based on the MoF Treasury financial reports and may be updated.

Source: MoF, IMF, Staff projections

Medium-Term Projections

The government adopted a Medium-Term Fiscal Framework in October 2005. The latest MTFF (March 2008) projects domestic revenues to reach above 10.1 percent of GDP by SY1390. By SY1391 domestic revenues are projected to reach 11 percent of GDP and fully fund the operating expenditures of the government.

The budget will be the central tool for implementing the Afghanistan National Development Strategy (ANDS). This is emphasized in the Implementation Framework chapter of the ANDS.

Public Financial Management

The Public Financial Management Performance Assessment in 2008 shows that the PFM system improved significantly between June 2005 and December 2007. Out of the 28 PFM indicators performance assessment indicators, 18 indicators improved, eight remained unchanged and two deteriorated. Key remaining challenges are (i) credibility of the budget; (ii) information from State Owned Enterprises (SOEs) and municipalities; and (iii) internal and external audits. Also, the PFM and capacity of line ministries should be greatly improved.

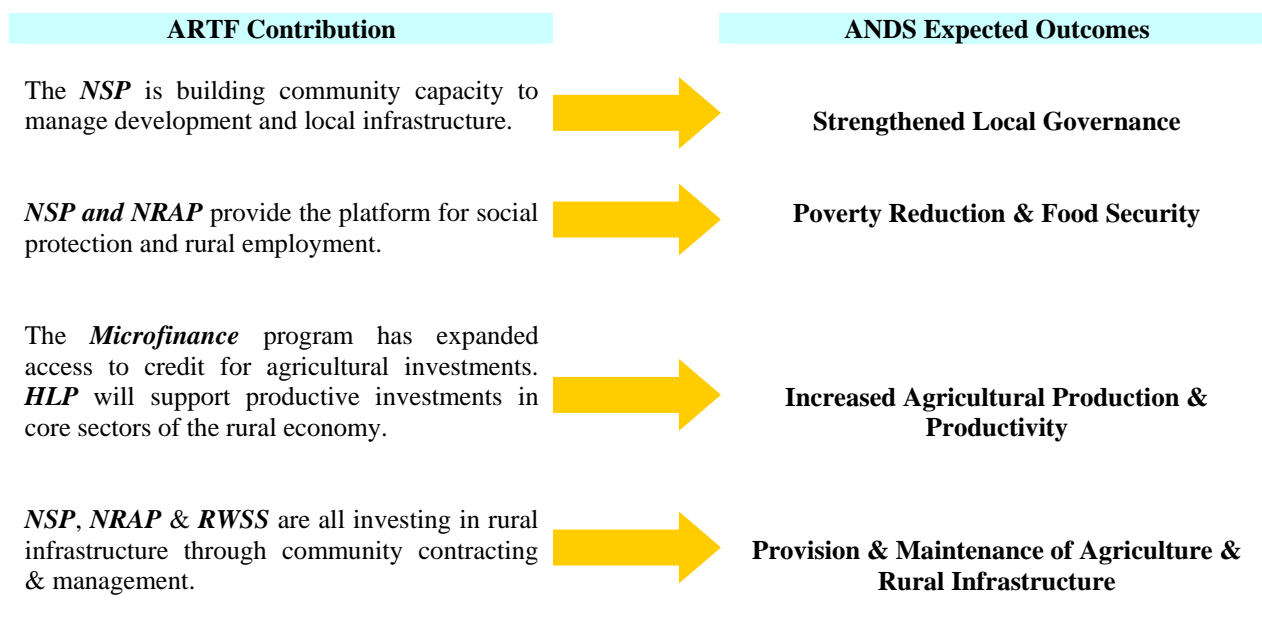
The full assessment is available on the ARTF website.

ARTF RURAL DEVELOPMENT PORTFOLIO:

FROM IMPLEMENTATION TO IMPACT

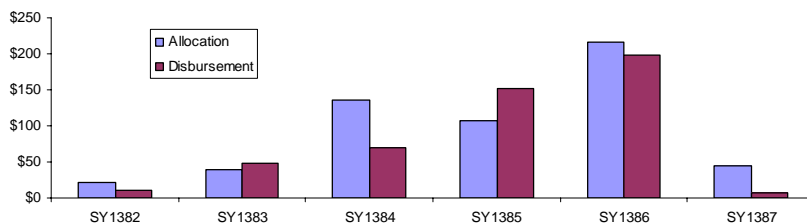
ARTF Rural Development Portfolio

Rural Afghanistan is home to nearly 80 percent of the population, where incidence of poverty is high, the penetration of the insurgency is growing, and opium production is booming. Agriculture and Rural Development falls under the “Economic and Social Development” Pillar of the Afghanistan National Development Strategy (ANDS). To achieve the outcomes set out in ANDS, the ARTF investment window consolidates and channels multi-donor support towards the sector program: the Comprehensive Agriculture and Rural Development Program (CARD). The outputs under implementation through the National Solidarity Program, the National Rural Access Program, the Microfinance Program, the Horticulture and Livestock Program, and the Rural Water Supply and Sanitation Program are contributing to the expected outcomes targeted by the ANDS.

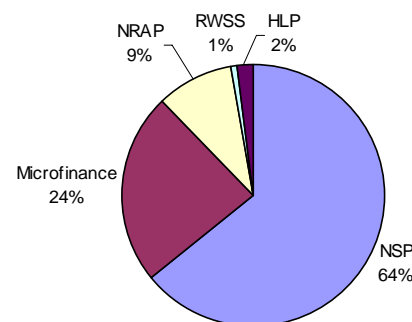


Rural programming accounts for around two thirds of the total ARTF investments. It is the fastest disbursing sector financed through ARTF and has the widest coverage across the country.

ARTF Commitments and Disbursements: Rural Development Portfolio



ARTF commitments by program



In this Quarterly Report, we would like to focus on implementation issues and progress towards results on the rural development portfolio under ARTF. The ARTF programs are heterogeneous, supporting community investments and social mobilization, rural roads, water points & sanitation, access to micro-credit and investments in agricultural productivity. This raises the question of potential synergies across

this portfolio of activities. More broadly, the ARTF rural portfolio is a central part of the broader investments in this sector, including irrigation, power, agricultural extension and alternative livelihoods.

Program	ARTF Cmt's	ARTF D'bsed	# of provinces	Achievements / issues
National Solidarity Program	\$361m	\$306m	34	<ul style="list-style-type: none"> • Roll-out of NSP continues successfully with MTF action plan in place. • Securing funding stream remains difficult • Follow-on project depends on review of impact • Insecurity impact increasing – key role for 'high risk strategy'.
National Rural Access Program*	\$53m	\$52m	34	<ul style="list-style-type: none"> • First grant largely disbursed – new grant planned for SY1387 • Strong political support now for rural infrastructure – both from donors and Afghan stakeholders
Microfinance	\$133m	\$124m	23	<ul style="list-style-type: none"> • Seeking operational sustainability of MFIs and consequent transition from grant financing • Security impacting on implementation & portfolio quality.
Horticulture & Livestock	\$11m	\$0	9	<ul style="list-style-type: none"> • The key issue is the capacity in MAIL. • MTR of the ongoing program has resulted in adjustments to the ARTF project.
Rural WatSan	\$5m	\$1m	8	<ul style="list-style-type: none"> • First phase of RWSS is concluding end '08 • Questions around scaled up intervention with community-contracting • Seeking to leverage CDCs for national roll-out

* NEEP/NRAP is close to completing its current cycle of activities and will be subject shortly to Implementation Completion Report. It is therefore not covered in this section.

National Solidarity Program (NSP)²

ARTF Financing (SY1381-1386)

Committed US\$361 million	Disbursed US\$306 million
<i>Includes NSP I & NSP II</i>	

Introduction: NSP II is a continuation of NSP I, addressing key development issues such as strengthening of local governance and rural infrastructure reconstruction and was designed to build on the success of its predecessor by scaling up the program and reaching out to an additional 4,318 communities. NSP II was approved by the World Bank Board on December 7, 2006 and became effective on May 15, 2007. The closing date is September 30, 2009. The project is financed by ARTF, IDA and bilateral funding.

² For up to date information on the NSP, visit www.nspafghanistan.org.

Project status: The ARTF disbursed US\$171.5 million in SY1386. The Ministry of Finance approved the allocation of US\$178 million for SY1387 budget to be provided by donors through the ARTF, of which US\$120 million has been pledged so far and US\$60 million paid in. To date the progress made by the NSP program is summarized in table 1:

Activity	NSP I (closed in March 2007)	NSP II to date	Cumulative as of 20 June 2008
No. of communities mobilized	16,914	4,965	21,879
No. of CDCs elected	16,502	4,837	21,339
No. of CDCs with CDPs	16,263	4,571	20,834
No. of Sub-project proposals submitted	27,555	12,778	40,333
No. of Sub-project proposals approved	26,603	11,846	38,449
No. of Sub-projects completed	10,410	10,923	21,333
No. of CDCs with completed block grant	1,057	2,293	3,350

The Mid Term Review for NSP II was concluded in July 2008. The key findings of the MTR include:

- The need to significantly expedite delivery of resources and completion of sub-projects at the village level and focus on minimizing any disbursement delays.
- On the management side, better co-ordination amongst units is needed; as well as
- Timely payments to facilitating partners and improvements in cost effectiveness of delivery.

To address these issues NSP has prepared a fully integrated issues-focused post-MTR Action Plan with detailed and prioritized responses. In preparing this action plan, NSP formed four working groups covering Financial Management, Facilitating Partner Management, Capacity Building and Decentralization, and Program Planning and Implementation. The action plan was shared with stakeholders, including Facilitating Partners and donors, at a workshop on July 2, 2008. The World Bank and NSP will also hold monthly meetings to follow up on progress on the agreed action plan.

Economic Rate of Return Analysis: An economic rate of return analysis for NSP I has now been completed using a sample of 200 sub projects in four key sectors: irrigation, power, transport and water supply. In the power sector, the analysis found that average monthly expenditure for power comes down by Af 410 per family as a result of NSP power projects. Average monthly power availability more than doubled to 20 Kw per family after the project. The Economic Rate of Return (ERR) exceeded 12 percent for all regions, with an overall ERR for all projects at 19 percent.

The ERR analysis, as well as the larger Impact Evaluation carried out by Harvard / MIT are available on the ARTF website.

In the following pages we include a summary of the Harvard / MIT Impact Evaluation of the NSP.

RANDOMIZED IMPACT EVALUATION OF AFGHANISTAN'S NATIONAL SOLIDARITY PROGRAMME (NSP)

SUMMARY OF EVALUATION METHODOLOGY AND ACTIVITIES

Introduction

The randomized impact evaluation of the Phase-II of the National Solidarity Programme (NSP-II) is a multi-year study designed to quantify changes - across a broad range of indicators and throughout the life-cycle of program implementation - in 250 'treatment villages' mobilized by NSP and to compare these changes to those observed in 250 'control villages' not participating in NSP. In so doing, the evaluation will provide a rigorous and disaggregated assessment of the impacts of NSP on economic outcomes and the structure of governance and institutions at different stages of program implementation. It is hoped that this information will be of use to the Government of Afghanistan, donors, and to civil society in providing an evidence basis for future decisions concerning NSP.

In reflection of the dual function of NSP to both build representative structures of governance and improve access to services and increase economic activity, the evaluation is structured to address questions related both to economic outcomes and to institutions and governance. Questions pertaining to economic outcomes include: (i) What is the impact of NSP on access to essential services and infrastructure?; (ii) What is the impact of NSP on the average and variation in the level of consumption and assets?; (iii) What is the impact of NSP on the level and diversification of village-level production, agriculture, and other economic activities?; and (iv) What is the impact of NSP on the incidence and function of borrowing. Questions pertaining to institutions and governance include: (i) What is the impact of NSP on structures and perceptions of local governance?; (ii) What is the impact of NSP on the participation of women on governance?; and (iii) What is the impact of NSP on interpersonal trust and political participation? It is expected that further questions of interest may be added to reflect the specific interests of stakeholders and a consultation process to facilitate this is planned for late summer 2008.

Methodology

The methodology of the evaluation is structured around a comparison, over a two- to three-year period, of changes in outcomes of interest between 250 'treatment villages' and 250 'control villages'. The 500 treatments and control villages are located within 10 districts in Balkh, Baghlan, Daykundi, Ghor, Herat, and Nangarhar provinces. The 10 districts were selected based on size, security conditions, the consent of the assigned FP, and the constraint that no villages in the district had previously received NSP activities. The 10 districts provide what is considered to be a representative sample of Afghanistan's geographic, ethnic, and economic diversity.³

Within each of the 10 evaluation districts, 50 'evaluation villages' were selected by the assigned FP, with the understanding that 25 of the 50 villages would be randomly selected for participation in NSP and that the remaining 25 villages would form the control group and not receive NSP until following the completion of the evaluation. Within each evaluation district, the evaluation team used existing data to form 25 'matched village pairs', grouping villages with similar pre-treatment characteristics. A computer algorithm was then used to randomly select one of each matched village pair to receive NSP.

Estimates of the impact of NSP will be based upon a comparison of changes in outcomes of interest from the baseline and the follow-up surveys between the treatment and control groups.⁴ As the 500 villages in the evaluation sample were randomly assigned to either the treatment or control groups, the pre-NSP characteristics of villages selected to receive NSP are, on average, identical to outcomes of interest in those

³ A full accounting of the procedure for selecting the 10 evaluation districts and 500 evaluation villages is provided in Section IV.I of the "Methodology and Hypotheses" paper, available on request from the evaluation team.

⁴ These are known as "difference-in-difference" estimates, as they compare the difference of differences over time within the treatment group with differences over time within the control group.

villages not selected to not receive NSP. Accordingly, should any differences in the average level of outcomes of interest arise between the 250 treatment villages and the 250 control villages, it can be assured that those differences reflect the impact of NSP and not any differences in starting conditions between the treatment and control villages.

Baseline Survey

During August and September of 2007, the baseline survey was administered in the 500 treatment and control villages. In each village, 10 randomly-selected male heads-of-households were surveyed, a focus group questionnaire was administered to leaders of the village and/or members of the village *shura*, a focus group questionnaire was administered to females from the leading families of the village, and each of the female focus group participants were interviewed individually. In total, nearly 13,000 people were interviewed during the baseline survey. Although the baseline survey is, by definition, unable to provide information concerning the impact of NSP, a number of interesting findings were obtained from the survey and these are described below.

In order to inform whether sub-projects implemented by NSP are reflective of the preferences of villagers, the baseline survey sought to obtain detailed information concerning which types of sub-projects respondents felt were most needed by the village. The results indicate that male heads-of-household and female respondents believe that clean drinking water facilities are of primary importance,⁵ followed by schools,⁶ and health facilities.⁷ Projects focused on irrigation and roads and bridges were of high importance to male respondents, both at the household and focus group level, but were of lesser importance to female respondents.⁸ Interestingly, only 10 percent of male focus group respondents, 6 percent of male household respondents, and 7 percent of female respondents considered electricity to be the highest priority project. Other projects, such as training courses, provision of agricultural seeds, machinery, or livestock, were rarely cited as priorities by respondents.

Data from the baseline survey indicates that villagers in the evaluation districts face acute levels of poverty. The average household income for the sample is estimated to be \$139 per month, varying from \$81 per month in Adraskan in Herat to \$233 in Sherzad in Nangarhar. To supplement income, 48 percent of respondents reported borrowing money from sources outside the household. The mean value of loans was \$779, although again there was wide variance at the district level, from \$282 in Daulina in Ghor to \$1,487 in Hisarak in Nangarhar. 45 percent of respondents indicate that the primary purpose of the loan was to purchase food, while 29 percent indicated that the money had been used to payment for medical treatment or

Highlights from the Baseline

- NSP is relatively well-known throughout the country, even where it has not working.
- Clean drinking water, schools and health facilities are the main priorities for both female and male respondents
- Poverty is widespread and acute amongst the sample.
- Services are poor. Over 80 percent of households reported drawing water from unsafe water sources, such as unprotected springs, shallow open wells, or reservoirs. Only 14 percent of households reported having access to electricity.
- When asked to which entity people earning income should pay tax, over 86 percent respondents reported that tax should be paid to the central government or a representative thereof. Relatively low numbers of respondents reported that tax should be paid to local, district, or provincial entities.

⁵ 30 percent of male heads-of-households and 40 percent of female respondents cited drinking water as their first priority for a village project

⁶ 16 percent of male heads-of-households and 15 percent of female respondents cited schools as their first priority

⁷ 14 percent of male heads-of-households and 16 percent of female respondents cited health facilities as their first priority

⁸ Irrigation projects were cited by 16 percent of male focus group respondents and 14 percent of male heads-of-household respondents as the first priority, but only 3 percent of female respondents cited it as the first priority. Road and bridge projects were cited by 12 percent of male focus group respondents and 14 percent of male household respondents as the first priority, but only 6 percent of female respondents cited it as the first priority.

purchase medicine. As such, it appears that loans are generally taken to smooth consumption following economic shocks, rather than for investment.

Respondents in the evaluation districts face limited access to services. Over 80 percent of households reported drawing water from unsafe water sources, such as unprotected springs, shallow open wells, or reservoirs. Only 14 percent of households reported having access to electricity, although there is significant variation in access between districts - in Balkh and Khost Wa Firing in Baghlan, approximately 35 percent of households had access to electricity, compared to only 2 percent in the districts of Adraskan and Gulran in Herat and Daulina in Ghor. Access to health care was also found to be limited, with around 89 percent of respondents reporting that there was no community health worker available to treat illnesses of people in the village. Only a third of villages had some kind of mixed school, while 22 percent had a boys-only school and 14 percent had a girls-only school. Respondents did indicate that the access of children to education does seem to be improving, however, with 69 percent of male heads-of-household reporting that the number of children from the village that attend school had increased relative to the previous year.

Prior to the initiation of NSP, villages in the evaluation sample seemed to be poorly served by other projects, with only 4 percent of villages having a development project in operation. Interestingly, approximately half of the respondents were aware of the NSP program, even though no NSP activities had yet been commenced in the evaluation districts. There was significant variance between districts, however. In Sherzad in Nangarhar, over 80 percent of respondents claimed to have heard of NSP, while in the remote districts of Gulran in Herat and Sang Takht in Daykundi, less than 20 percent had heard of NSP.

Results from the baseline survey indicate that women have a limited role in village governance, but that this does not generally reflect the preferences of villagers. Although 71 percent of female respondents stated that they were generally happy with the work of the local *shura* or village leaders, 89 percent responded that the *shura* or village leaders had done nothing for women within the past year and 91 percent responded that there was no formal role by which women could participate in the village *shura*. When female interviewees were asked if they believed women should be allowed to participate in the *shura*, 70 percent of women interviewed stated that they believed that women should be granted membership and 86 percent stated the believed women should have a separate female *shura*. When male head-of-household interviewees were asked the same questions, only 43 percent stated that they believed women should be allowed to fully participate, but 85 percent expressed support for a separate female *shura*.

Respondents generally indicated a strong desire for political participation and government involvement. Nine out of ten male household respondents indicated a desire to vote in the next presidential and parliamentary elections and approximately 50 percent knew the name of a *Wolesi Jirga* representative for their province. When asked to which entity people earning income should pay tax, over 86 percent respondents reported that tax should be paid to the central government or a representative thereof. Relatively low numbers of respondents reported that tax should be paid to local, district, or provincial entities.

Monitoring of CDC Elections

To provide an independent accounting of the integrity of CDC elections in the 10 evaluation districts, the evaluation team hired and trained election monitors to observe CDC elections in 131 evaluation villages. In each village, monitors were requested to conduct 15 'post-vote' interviews of villages immediately after they voted, complete reports on the characteristics of polling stations and the integrity of voting procedures, and to complete an overall election report to record their impressions of the integrity of the election process in the village. Although FPs knew their work would be subjected to monitoring, they were not aware when that would happen as the monitoring schedule was only known by the evaluation team and the monitor.

Results from the election monitoring suggest that FPs generally exhibited a high degree of professionalism in organizing CDC elections, with no reported incidents of negligence or fraud. Polling booths in the monitored villages were predominantly located in a closed room and in 87 percent of cases afforded privacy for voters. Monitors reported no instances in which ballot papers or boxes may have been changed before the counting of the votes and, in 99 percent of monitored polling stations, there was nobody at the polling station telling people who to vote for or otherwise interfering with the process. The CDC election process generally resulted in an equal number of men and women being elected, as prescribed by the NSP Operational Manual.

Of the 131 villages monitored, there were 12 instances where the village had more male than female CDC members and 3 instances where there were more female than male CDC members.

Results from post-vote interviews suggest that villagers exhibit a high level of confidence in the CDC election process. Voters appear to believe that the election process is free and fair, with 97 percent of respondents indicating that CDC members were selected based on vote counts or were chosen by villagers. Some 94 percent of respondents reported that they believed the secrecy of the vote was upheld and 97 percent of respondents reported that they made their own decision for whom to vote. When asked about the primary considerations that informed their vote, respondents reported that candidates' honesty and religious piety ranked the highest among their priorities, followed by considerations for the candidate's education and his commitment to the community.

When asked about who organized the CDC election, 90 percent of respondents mentioned the Ministry of Rural Rehabilitation and Development (MRRD), the NSP program and/or NGO, and 73 percent mentioned MRRD and/or NSP. MRRD was the most frequently cited individual responses, accounting for 46 percent of the total, closely followed by the NSP program. An FP or NGO was cited by approximately 37 percent of people interviewed, with the Government of Afghanistan or Hamid Karzai mentioned by 28 percent of respondents. Voters were asked also about the function of the CDC. 77 percent of respondents answered that the purpose of the CDC is to "help villagers", or words to that effect. 52 percent of respondents mentioned that the purpose of the CDC is to undertake development projects, while 21 percent answered that they believed that the CDC would function to resolve disputes between villagers. When asked whether they believed the CDC was a part of the Government of Afghanistan, 92 percent of respondents responded in the affirmative.

Timeline

As of July 2008, CDC elections and sub-project selection procedures have been completed in the 10 evaluation districts. The evaluation team plans to undertake project implementation monitoring during the fall of 2008, with the first follow-up survey occurring between October 2008 and March 2009, with a second follow-up survey to be conducted in the fall of 2009. The evaluation team hopes to have interim, restricted-sample estimates of one-year NSP and STI impact available by December 2008, with estimates of two-year NSP and STI impact available by November 2009.

To ensure transparency and to facilitate independent verification of the methodology and findings of the NSP impact evaluation, a website has been created to disseminate materials, data, and other information concerning the evaluation. The URL is: <http://web.mit.edu/cfotini/www/NSP-IE>. It is the intention of the evaluation team to publish on the website all the raw data collected during the evaluation, as well as all the computer code used to estimate impacts. Given that randomized evaluations allow estimates of program impacts can be calculated in a relatively straight-forward manner, it is the hope of the evaluation team that the publication of the data and code on the website will enable external researchers and stakeholders to replicate the analysis and ensure that impacts have been determined in an appropriate manner.

Microfinance for Poverty Reduction⁹

ARTF Financing (SY1381-1386)

Committed
US\$133 million

Disbursed
US\$124 million

Introduction: The Microfinance Support for Poverty Reduction Project provides access to credit and other financial services for poor and low income people and supports them to be able to invest in business opportunities, meet emergency needs, reduce vulnerability and build assets. It also helps strengthen qualified microfinance service providers in delivering credit and other financial services while moving towards operational and financial sustainability. The project is implemented by the Microfinance Investment and Support Facility for Afghanistan (MISFA), a company that supports the long term development of an inclusive financial sector.

Project status: The sector has 15 microfinance service providers with a combined number of 265 branches in 111 districts in 23 provinces, with plans to begin services in four more provinces by August 2008. Microfinance services began in Kandahar and Helmand in SY1386 and there are plans to begin soon in Uruzgan, Badghis, Daikundi and Ghor. The sector had 436,000 active clients and an outstanding gross loan portfolio of US\$107 million. Since work began in 2003, the sector has cumulatively disbursed US\$420 million through 1.1 million loans. The current average loan size is US\$288. Microfinance service providers have also collected more than US\$12 million in small savings deposits.

The microfinance sector has continued to grow but the rate of growth has slowed over the past nine months. While external factors such as security problems and poor governance in some provinces contributed to this, the main reason seems to be that many of the microfinance institutions have struggled as they try to sustain high rates of growth. This is reflected in the portfolio at risk (NPLs) at 30 days (a standard measure of loan portfolio quality) that has increased from 2.5 percent a year ago to just over 5 percent now. This level of risk in the portfolio is not alarming and is in line with the level projected for this project, but the fact that the rate has doubled in a year means that MFPs have been forced to slow their growth in order to focus on the underlying problems. This matter is being accorded top priority by the implementing agency, MISFA. In general, there is a need to build MFP capacity, strengthen internal control systems and improve middle and upper level management. MISFA has worked with each MFP to agree on specific plans to address the problems and the implementation of these actions is underway.

In terms of mainstreaming the microfinance sector, the first proposed agreement between a commercial bank and an MFP was negotiated recently. The process of engagement between the formal banking system and microfinance institutions has been facilitated and supported by MISFA, in this case through a proposed partial guarantee facility.

The SME window now works with five banks that began to make small business loans towards the end of 2007. By the end of March 2008 they had made 170 loans ranging in size from US\$10,000 to US\$1.5 million to 170 businesses in six provinces outside Kabul. The total outstanding loan portfolio was US\$4.5 million in March 2008. The three main participating banks are just gaining momentum and it is projected that the outstanding loan portfolio could grow to US\$30 million by the end of 2008.

It is expected that by the end of SY1387 the sector will be serving more than half a million clients, 65 percent of whom will be women, in 28 provinces with a total outstanding portfolio of US\$130 million. Of the 15 active MFPs, 13 will be registered as Afghan corporations and four will be operationally sustainable.

⁹ For up to date information, please visit www.misfa.org.af.

Outcomes Monitoring

Project Outcome Indicators ¹⁰	Baseline Dec 2006	Actual Dec 2007	Actual March 2008	Target Dec 2008	Target Dec 2009	Target June 2010 ¹¹
1. Percent of loan portfolio outstanding that is accounted for by MFPs with OSS>100%. ¹²	51%	50%	52% ¹³	70%	85%	87%
2. Number / percent of MFPs registered as separate legal entities under Afghan law.	0 / 0%	10 / 67%	14 / 93%	14 / 93%	15 / 100%	15 / 100%
3. Number of active clients of MFPs.	300,000	424,000	436,777	500,000	625,000	680,000
4. Percent of active clients who are women.	70%	68%	65%	65%	65%	65%
5. Amount of outstanding loan portfolio and percentage increase over December 2006 amount.	\$65 m	\$103 m (158%)	\$108 m (165%)	\$130 m (200%)	\$175 m (270%)	\$182 m (280%)
6. Number of provinces with active MFPs.	21	23	23	28	30	32

Future Strategy

Looking ahead, MISFA expects to be able to achieve expanded outreach, improved sustainability and create a truly Afghan microfinance sector. The Board and management of MISFA recently spent a considerable amount of time looking beyond the current projects and developing a medium term strategy that adds to these three core objectives. In doing this, the need to (i) continue to seek synergies with other programs, for example the proposed Afghanistan Rural Enterprise Development Program, (ii) ensure that a high quality loan portfolio is maintained, and (iii) ensure that a good enabling environment continues to exist were emphasised.

Looking beyond the immediate future, the MISFA Board approved five additional priorities going forward:

- Strengthen social and economic impact and measure progress more specifically.
- Strengthen communications and advocacy.
- Use some of MISFA's own funds, generated through income from loans made to MFPs, to support special initiatives, for example reaching out to particularly remote regions or to the very poorest people, creating links with social safety net programs, and using technology to reduce transaction costs and improve outreach.
- Increasingly finance growth from non donor sources such as commercial funding and mobilizing savings, and adjust the terms and conditions of MISFA loans to MFPs to encourage this transition.
- Make the expansion of SME finance part of MISFA's core objectives and seek to expand outreach throughout Afghanistan.

¹⁰ This Table is consistent with that used for results monitoring in the IDA financed Project.

¹¹ Closing Date of the Grant is currently June 30, 2010.

¹² Loan portfolio means gross loan portfolio. OSS is calculated on a 12 month rolling average basis.

¹³ In early 2008 the performance of one of the sustainable MFPs declined temporarily due to an increase in its portfolio at risk. This dropped it below 100% OSS. But it is expected that this is a temporary setback that will be corrected during 2008.

Horticulture & Livestock Program (HLP)

ARTF Financing (SY1381-1386)

Committed
US\$11 million

Disbursed
US\$0

Introduction: The Horticulture & Livestock Program - the first ARTF project in the portfolio to be implemented by the Ministry of Agriculture, Irrigation and Livestock (MAIL) – is a key part of the government’s CARD program. In the face of the global food crisis, the importance of the HLP has recently further increased in terms of providing a sustainable source of income to farmers. An ARTF project was therefore approved by the ARTF MC in March 2008 and funds were obligated in SY1387.

The HLP – which became effective in 2006 - has been designed as the first stage investment operation in a program that will unfold over the coming decade to support the horticulture and livestock sub sectors nationwide. The program has been designed by the World Bank in collaboration with other donors under the umbrella of the Master Plan of the MAIL.

The design and expected results of the HLP complement those of the other ongoing and planned donor programs and would collectively contribute to the achievement of the vision of the MAIL’s master plan. These programs include:

- the ongoing European Commission (EC) funded Perennial Horticulture Development Project (PHDP);
- the ongoing EC funded Animal Health and Development Project (AHDP);
- the ongoing USAID funded Acceleration of Sustainable Agriculture Production (ASAP), which is the follow on program of the recently completed and USAID funded Rebuilding Agriculture Markets Program (RAMP); and
- ADB’s two projects, namely “Agriculture Sector Program (US\$55 million)” to support market based policy reform to revive horticulture and livestock sub-sectors and “Rural Business Support Project (US\$18 million)” to develop agri-enterprises in selected four districts through value chain development.

Project Status: During the last 30 years, the MAIL has not implemented a significant project like the HLP. There have been some delays in project implementation. The World Bank’s supervision mission in November 2007 noted staffing deficiencies, protracted procurement delays, weak procurement capacity of the Project Implementation Support Team (IMST), and weak internal communication. Most of these issues have now been addressed and recently resolved by the IMST: a competent international procurement specialist has been appointed; a strong Afghan technical coordinating team is being developed; and the second Project Steering Committee meeting was held in January 2008. The Ministry and the IMST are now developing capacity and it is anticipated that project performance will improve rapidly in 2008.

Commitment of the MAIL higher management and timely action by the core MAIL’s project staff and the IMST to implement the recommendations and agreed actions will be critical for the contemplated improvement in the project performance.

Preliminary Results: While the project is in early stages of implementation and M&E activities are just starting, initial survey data from orchard rehabilitation work in 2007 indicate yield increases of over 200 percent for grapes and pomegranate. However, the adoption of the introduced rehabilitation practices by the surrounding farmers is unclear, highlighting the need for more intensive extension services and farmer

organization. Results from an impact study of the FAO-supported poultry project (2003 – 2006) provided some positive and negative indicators that will be analyzed in the inception report of the FP (FAO) recently contracted.

HLP Mid-term Review (May/June 2008)

A mid- term review (MTR) of the HLP was carried out during May/June 2008 jointly by MAIL, IDA and ARTF donors. Given the project’s nature, wide geographic spread of the different project interventions (over 70 locations in 10 provinces), limited capacity in the implementing agency *the project’s visibility and impact are likely to be slow to develop and may remain somewhat diffused.*

Effective farmer mobilization and concentration of project interventions in *a few focus areas* would be critical for success. Furthermore, other constraints (water management, agriculture credit, rural access, availability of adequate quality inputs, access to markets, etc.) also need to be addressed in parallel with the main project activities.

Therefore, it has been agreed that one special **focus cluster** will be identified in each of the ten provinces covered by HLP. In these locations, farmers’ needs will be addressed more comprehensively and intensively. Synergies with allied projects will be actively pursued to improve credit availability, improve water management and rural access; identify ways and means to improve quality of inputs. In one selected focus cluster the project will provide support and assistance to develop the full value chain as a pilot.

Rural Water Supply & Sanitation

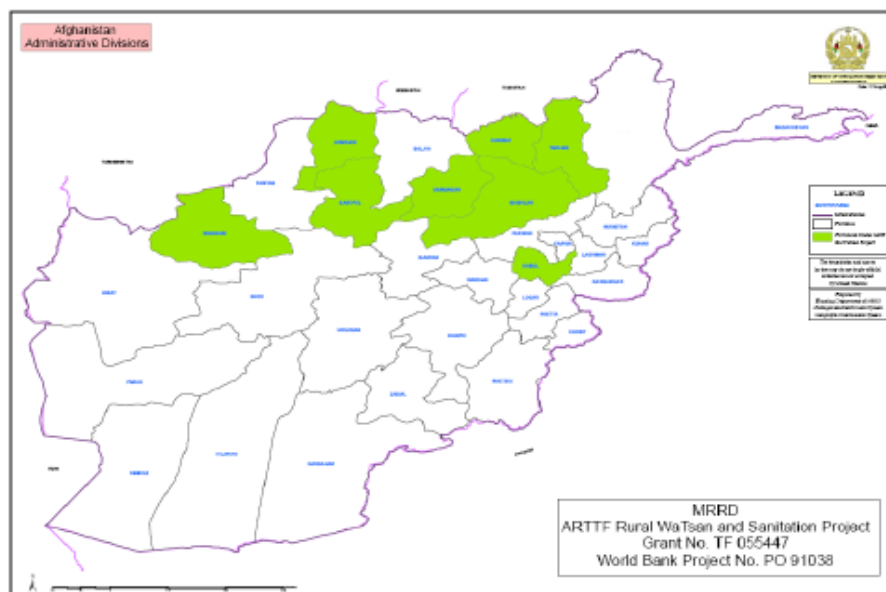
ARTF Financing (SY1381-1386)

Committed US\$5 million	Disbursed US\$1.2 million
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Introduction: The Rural Water Supply & Sanitation ARTF project (RWSS) became effective in SY1385 following donor support from Norway. The project was a response to the very poor situation of water supply and sanitation in rural Afghanistan. While exact coverage figures are not available, about 75 percent of the population is estimated to be without access to potable water and about 89 percent without access to adequate sanitation facilities. Mortality rate of children under five is as high as 25 percent, half of which is caused by preventable waterborne diseases. Household economic surveys indicate that spending on health care is second only to food. Target 10 of the Afghan MDGs is to halve by 2020 the proportion of people without sustainable access to drinking water. ANDS targets safe drinking water in 90 percent of all villages and sanitation facilities in 50 percent.

The program: RWSS was conceived as initiating support to the programmatic approach of the Government in the sector. The foundations consist in the Rural Water Supply & Sanitation National Policy Framework, the Implementation Manual and the associated National Hygiene Education Policy Guidelines. The objectives are twofold: (i) improving health conditions through integration of hygiene, sanitation and water supply, and (ii) building capacity, not only of the Government but also of Development Partners (NGOs, private sector and communities).

The project became effective in early 2006 and it took sometime to set up the Project Implementation Unit (PIU) and mobilize the Support Organizations (SOs). Hence, project activities really started in the 8 selected provinces (Badghis, Jawzjan, Sari Pul, Samangan, Baghlan, Kunduz, Takhar and Kabul) and 4 districts (for a total of 283 villages) only in early 2007. One and a half years later, software activities



(hygiene promotion and O&M training) are almost completed - with 948 hygiene promoters trained (100 percent) and 1,077 households left to visit (3 percent), 36 district mechanics trained (88 percent) and 125 water point caretakers left to be trained (14 percent) as of July 31, 2008. Hardware activities are well underway with construction of water points almost completed (522 of 765 or 68 percent), construction of demonstration latrines ongoing (971 of 3,000 or 32 percent) and construction of 17 gravity pipe schemes /

reservoirs being initiated. Overall, the project is almost fully committed contractually (86 percent) although disbursements were slowed down by the closing of the fiscal year SY 1386 (28 percent).

Implementation Progress as of 31-Jul-08 (on-going project)

Province	Nb of Villages	Hardware Activities			Software Activities			
		Pipe schemes/ reservoirs	Water points	Demonstration latrines	HE promoters trained	Households visited	District Mechanics trained	Care takers trained
Badghis	40	0/0	110/125	239/375	80/80	6200/3450	4/4	125/125
Baghlan	23	0/1	43/120	142/372	30/30	5667/4745	5/5	120/121
Jawzjan	36	1/6	48/51	9/465	80/80	4500/4500	4/4	55/143
Kabul	30	0/3	70/75	0/312	66/66	3321/3412	3/6	75/78
Kunduz	45	0/0	91/117	237/351	197/197	6163/3500	4/4	117/117
Samangan	65	0/0	51/97	65/291	96/96	6463/3100	4/5	97/97
Sari Pul	26	0/1	51/91	119/363	364/364	4059/2400	4/4	91/121
Takhar	17	0/6	58/89	160/471	35/35	5684/6670	8/9	92/95
Total	282	1/17	522/765	971/3000	948/948	42057/31777	36/41	772/897
		6%	68%	32%	100%	132%	88%	86%

The Rural Watsan Department is commissioning a RWSS sector study to review the practices and experiences under different approaches and implementation arrangements to arrive at more consistent, cost effective and efficient means of delivering sectoral activities. The current grant is due to close at the end of 2008. Before then additional financing will be proposed to the Management Committee to deepen the coverage & penetration of the activities in existing project areas. In addition, decentralizing the procurement to communities will be piloted ahead of a possible national scale-up of the project in SY1388. An October mission by World Bank technical experts will review project progress and discuss this next phase.

III. THE ARTF RECURRENT COST FINANCING

1. Introduction

The ARTF, through recurrent cost financing, helps finance salaries and wages of over 250,000 non-uniformed civil servants (most of whom are working outside Kabul), and government's operating and maintenance (O&M) expenditures outside of the security sector, including purchases of essential supplies. As of June 20, 2008, a total of US\$1,473 million had been made available to the government over six years for recurrent cost financing of which US\$1,403 million has been disbursed. The ARTF Recurrent Cost Window generally disburses 100 percent of what it allocates every year.

For SY1387, the Management Committee has approved a ceiling of US\$276 million in financing – the same level as approved for SY1386 (SY1386 disbursements included US\$15 million for SY1385 expenditures and US\$6 million to compensate the government for the 'governor's outreach program' or US\$291m in total). In SY1386 the US\$276 million disbursed by ARTF represented exactly half of the non-security expenditures in the operating budget.

2. SY1386 Recurrent Budget Execution

Table 1 presents budget and actual expenditures for SY1386 for the government's recurrent budget, adjusted to exclude those ministries ineligible for ARTF financing. With ineligible ministries excluded, the eligible budgeted and actual expenditures are reflected in bold text below.

Table 1: SY1386 Budget versus Actual Expenditures

	Payroll AFN m	O&M AFN m	SY1386 AFN m	SY1385 AFN m
Initial Budget SY1386 (1)	35,204	18,396	53,600	40,346
Add: Mid year budget review (2)	934	281	1,215	3,855
Defense, Interior, National Security, Presidential Protection Services	(18,522)	(4,226)	(22,748)	(18,265)
Budget in the ministries qualified for ARTF financing	17,616	14,452	32,067	25,936
Actual expenditures for year	33,511	17,123	50,634	43,041
Defense, Interior, National Security, Presidential Protection Services	(17,099)	(4,477)	(21,576)	(17,466)
Advances	(17)	(1,262)	(1,279)	(214)
Expenditures in the ministries qualified for ARTF financing	16,395	11,384	27,779	25,361
Actual expenditures in percentage of adjusted budgeted expenditures	93.1%	78.8%	86.6%	97.8%
Remaining budget	1,221	3,068	4,288	575
Remaining budget in percentage of initial budget	6.9%	21.2%	13.4%	2.2%

(1) Ordinary budget for the year SY1386

(2) The mid-year budget review for SY1386 was approved as of 14 Quas 1386.

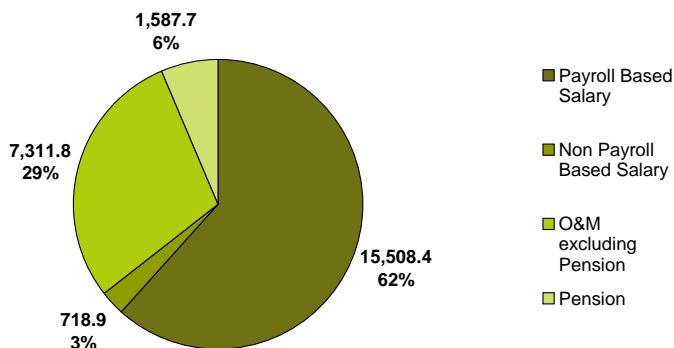
Source: Monitoring Agent 1st Quarter SY1387 Report

3. SY1386 Distribution among Cost Categories

Figure 1 presents the distribution of AFN 25,127 million in eligible expenditure for SY1386 among the four broad cost categories financed by the ARTF. **Payroll expenditures** are divided into Payroll-based salary expenditure (PBSE) comprising all payroll based salary expenditures including gross salary, food allowance, education level allowance, PRR payment and bonus payrolls. Non-payroll-based salary expenditure (NPBSE) comprises all expenditures classified in AFMIS as wages/ payroll but supported by documents other than payroll, such as assistance payments to employees and transportation expenses. **O&M expenditures** are broken into O&M expenditure excluding pensions (OM-P) comprising all recurrent expenditures recorded in AFMIS not included in one of the other categories, and Pensions (P) comprising pension payments by the Ministry of Martyr and Disabled.

The difference between the data presented in Table 1 bolded line “Expenditures Ministries qualified for financing” and the amount in Figure 1 below is due to the fact that the initial budget figures (Table 1) do not provide sufficient details to be able to further adjust the budget for the category “other not qualified for financing”. In other words, Table 1 reflects some budgetary expenditures which are ineligible for reasons unrelated to their ministry of origin; these expenditures are not part of the amount of AFN 25,127 million whose breakdown is reflected below in Figure 1.

Figure 1: SY 1386 Expenditures by Main Category (excluding Military and other ineligible (by nature) expenditures) (in AFN million)



Source: Monitoring Agent June 20, 2008 Report

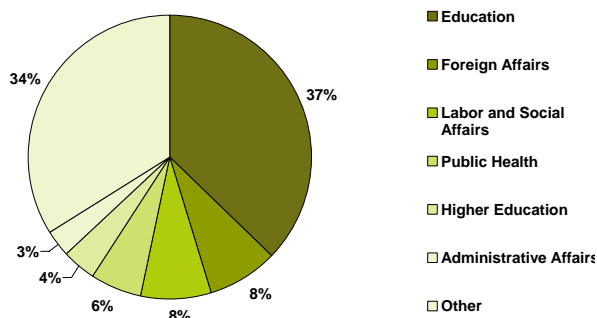
4. Recurrent Costs by Line Ministry

As of June 20, 2008, 63 percent of total disbursements of payroll and O&M expenditures were related to 5 out of 46 line ministries and independent budget agencies as shown in the Figure 2 below.

The main spending ministry is the Ministry of Education. The high level of expenditure within this Ministry is mainly due to teachers’ salaries. Teachers represent almost half of all Afghan civil servants. As shown

in Figure 2, the top ten largest expending ministries comprised approximately 76 percent of the total non-security operating budget for SY1386.

Figure 2: SY1386 Disbursements by Ministry



Source: Monitoring Agent June 20, 2008 Report

5. Trends of the Eligibility of Submitted Expenditures

Eligibility

ARTF finances recurrent cost expenditures which meet the criteria set by the government, the ARTF Grant Agreement and the additional requirements, agreed to by the Ministry of Finance and the Administrator, termed the Fiduciary Standards. Criteria for eligibility are set out in Box 1.

Box 1: ARTF Eligibility Criteria

Government Regulations

The Annual Budget Decree: since ARTF provides budget support to the government, expenditures can be found eligible only if they are included in the yearly budget; ARTF's share of financing this 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 will not be considered to be eligible for financing by ARTF. It is important to note that the Afghan procurement law allows for procurement to conform to donor requirements (article 50 sub 1).

ARTF Grant Agreement

All military and security related expenditures are ineligible for financing.

Procurement. Capitalized goods and works need to be procured in accordance with the World Bank procurement guidelines.

Fiduciary Standards

Fiduciary Standards (revised as at 20 December 2004). In addition to the Afghan laws and regulations, an additional set of requirements was agreed on the timeliness of reporting and efficiency of cash management of eligible expenditures.

6. Current Performance

For each category—payroll or O&M—of recurrent cost, Table 3 presents comparative data on submitted expenditures and actual approved expenditures, over the life of the ARTF. Table 4 presents these for 1386 in more detail. Where payments are deemed ineligible it could be according to any of the criteria described in Box 1.

The expenditure and eligibility figures for SY1383 and SY1384 were restated taking into account the final deductions based on the auditors' findings for SY1383 and the final SOE for SY1384. The deduction for auditors' findings of SY1384 was effected in the last SY1385 reimbursement request.

Payroll eligibilities for the last three years are SY1384 – 84.9 percent, SY1385 – 92.5 percent and SY1386 – 92.4 percent.

Table 3: SY1381-86 Summary of Statements of Expenditure: Submissions and Payments
(US\$
thousand)

		Submitted by MoF to MA			Approved by MA and by WB					
		O&M USD	Payroll USD	Total USD	O&M USD	Payroll USD	Total USD	O&M %	Payroll %	Total %
1381	Total	42,239	87,917	130,157	27,318	87,690	115,007	64.7%	99.7%	88.4%
1382	Total	300,478	120,204	420,682	41,737	111,241	152,978	13.9%	92.5%	36.4%
1383	Total	82,164	202,038	284,202	61,433	186,199	247,633	74.8%	92.2%	87.1%
1384	Total	104,100	227,858	331,958	75,014	193,520	268,533	72.1%	84.9%	80.9%
1385	Q1	13,704	35,961	49,665	13,290	35,961	49,251	97.0%	100.0%	99.2%
	Q2	41,219	80,727	121,945	36,403	77,039	113,442	88.3%	95.4%	93.0%
	Q3	35,089	69,162	104,251	25,971	62,973	88,944	74.0%	91.1%	85.3%
	Q4	58,172	94,453	152,626	20,024	83,342	103,366	34.4%	88.2%	67.7%
	Total	148,184	280,303	428,487	95,688	259,315	355,003	64.6%	92.5%	82.9%
1386	Q1	18,415	40,710	59,125	18,415	40,710	59,125	100.0%	100.0%	100.0%
	Q2	41,315	91,544	132,859	33,853	87,857	121,711	81.9%	96.0%	91.6%
	Q3	45,135	88,293	133,428	38,437	74,757	113,194	85.2%	84.7%	84.8%
	Q4	36,049	61,679	97,728	21,960	57,550	79,511	60.9%	93.3%	81.4%
	Total	140,914	282,226	423,139	112,666	260,874	373,540	80.0%	92.4%	88.3%
Grand total		818,079	1,200,545	2,018,624	413,856	1,098,839	1,512,694	50.6%	91.5%	74.9%

Source: SoE submitted to World Bank

Table excluding deductions for reaching the yearly budget cap as agreed between donors and GIRA.

While monitoring of SY1386 expenditures is still underway for provinces and pensions, and even assuming some impact of those results, *1386 eligibilities for O&M and payroll are both improved on the preceding four years.*

Table 4 disaggregates the total ineligibility of 1386 (AFN 4028.8 million) by type of expenditure and within this by cause of ineligibility. The ineligibility in Payroll Based Salary Expenditure is more diverse than in previous years when almost all ineligibility was caused by non-compliance with Fiduciary Standards. This is mainly caused by Payroll expenditure for embassies (Ministry of Foreign Affairs) that were not supported with Payroll documents.

The main category of ineligible expenditure is O&M expenditure excluding Pension (AFN 2,594). This is mostly caused by non-compliance with procurement regulations.

Table 4: SY1386 Total ineligibility by main cause and category of expenditure

AFN million	GoA	ARTF	FS	Cum. Total SY 1386
Payroll Based Salary	266,9	141,9	495,1	903,9
Non Payroll Based Salary	218,4	56,2	35,8	310,4
Total Payroll	485,3	198,1	530,9	1.214,3
O&M excluding Pension	2.594,1	132,0	88,3	2.814,4
Pension	0,0	0,1	0,0	0,1
Total Operations and Maintenance	2.594,1	132,1	88,3	2.814,5
Cumulative Total SY1386	3.079,4	330,2	619,2	4.028,8

Table derived from monitoring site visit findings up to and including June 20, 2008.

For definitions of column headings see Box 1.

Figure 3: SY 1386 (up to Q4) Total Ineligibility by Main Cause (in AFN million)

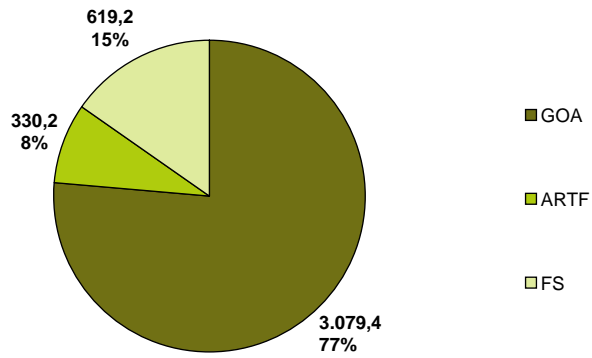
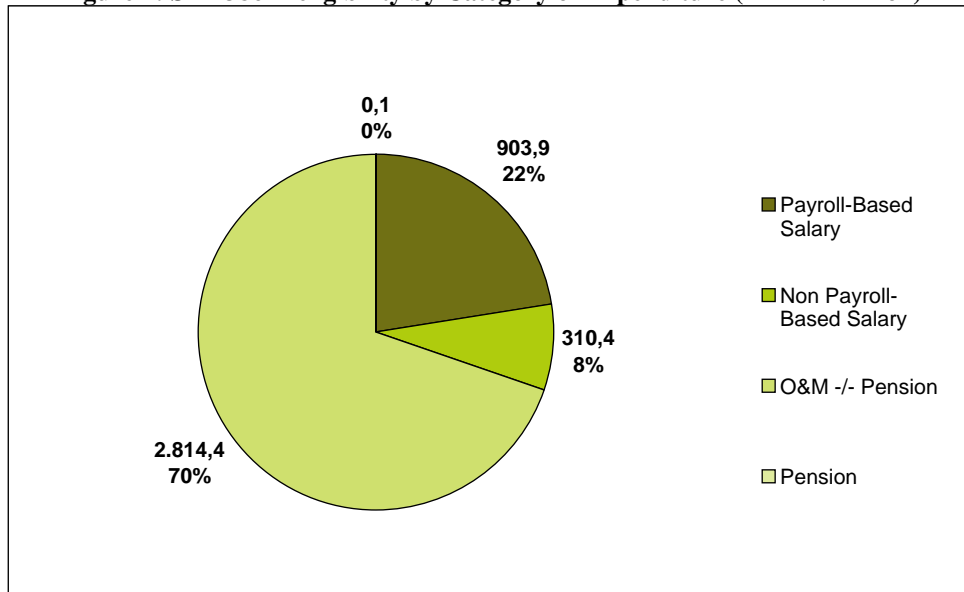


Figure 4: SY 1386 Ineligibility by Category of Expenditure (in AFN million)



ANNEX 1:
STATUS OF INVESTMENT PROJECTS

Status and Ratings of Active and Disbursing ARTF Investment Projects
(amounts in US\$ million)

	<i>Approved Grant Amount</i>	<i>Amount Disbursed</i>	<i>Amount Available</i>	<i>Start Date</i>	<i>Closing Date</i>	<i>Achievement of Grant Objectives</i>	<i>Implementation</i>
Civil Service Capacity Building (TF053940)	13.0	12.0	1.0	06/15/2005	02/28/2010	MS	S
Management Capacity Program (TF090077)	10.0	0.0	10.0	10/17/2007	03/31/2010	NA	NA
TA and Feasibility Study Project TF050970	18.5	16.3	2.2	03/08/2003	02/28/2010	MS	MU
NEEP (NRAP) (TF050973)	52.8	51.9	9.7	03/14/2003	03/31/2009	S	S
Micro-finance (TF052452)	133.3	124.0	9.3	07/10/2003	06/30/2010	S	S
Kabul Power Supply (TF052541)	7.4	6.8	0.6	02/02/2004	03/31/2009	MS	MS
National Solidarity Program II (TF090205)	191.5	138.4	53.1	05/27/2007	09/30/2009	S	S
Emergency Power Rehab. (TF54718)	20.0	0.2	19.8	02/13/2005	06/30/2010	MS	MS
Urban Water and Sanitation (TF054729)	41.0	19.6	21.4	02/21/2005	12/31/2008	MU	U
Education Quality Improvement Program (TF054730)	44.0	9.1	34.9	06/01/2005	03/31/2009	S	S
Rural Water Supply And Sanitation (TF055447)	5.0	1.4	3.6	2/26/2006	12/31/2008	MS	MS
Kabul-Aybak/Mazar-e-Sharif Power Project (TF091120)	57.0	11.6	45.4	12/26/2007	12/31/2009	S	S
Horticulture and Livestock Program (TF091885)	11.0	0.0	11.0	05/26/2008	12/31/2009	MS	MU
Kabul Urban Reconstruction Project (TF092073)	5.6	0.0	5.6	05/13/2008	12/31/2009	S	MS

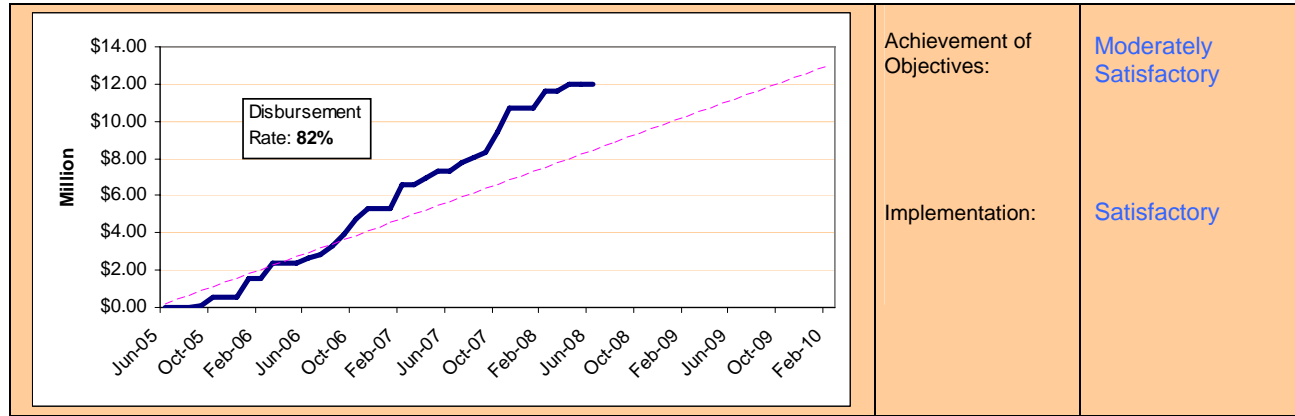
(S: Satisfactory MS: Moderately Satisfactory, MU: Moderately Unsatisfactory, U: Unsatisfactory)

Rating Definitions

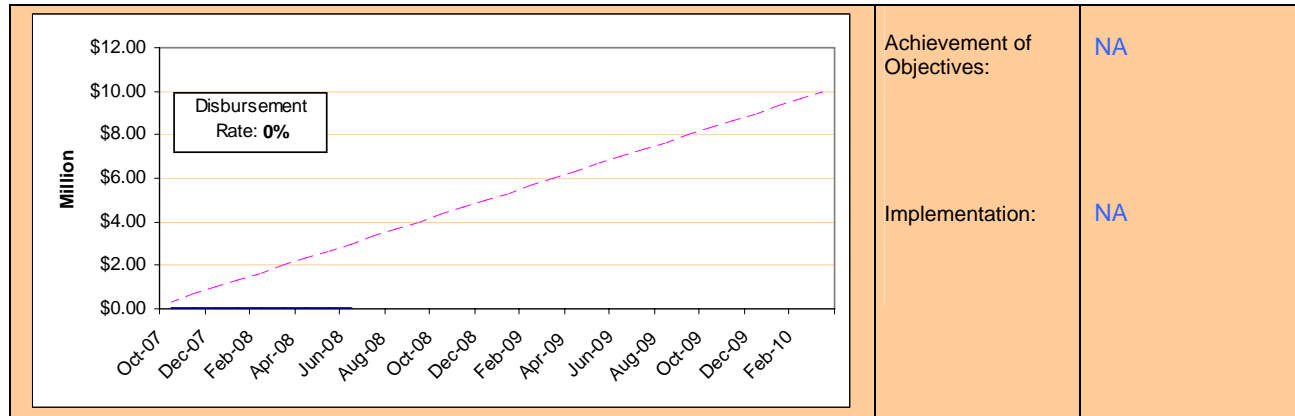
Highly Satisfactory (HS)	There are likely to be no shortcomings in the project's achievement of its objectives, in its efficiency or in its relevance.
Satisfactory (S)	There are likely to be minor shortcomings in the project's achievement of its objectives, in its efficiency, or in its relevance.
Moderately Satisfactory (MS)	There are likely to be moderate shortcomings in the project's achievement of its objectives, in its efficiency, or in its relevance.
Moderately Unsatisfactory (MU)	There are likely to be significant shortcomings in the project's achievement of its objectives, in its efficiency, or in its relevance.
Unsatisfactory (U)	There are likely to be major shortcomings in the project's achievement of its objectives, in its efficiency, or in its relevance.
Highly Unsatisfactory (HU)	There are likely to be severe shortcomings in the project's achievement of its objectives, in its efficiency, or in its relevance.

1. AFGHANISTAN CIVIL SERVICE CAPACITY BUILDING PROJECT (TF053940)			Contact: Mr. Nigel Peter Coulson
Approved: 02-May-05	Effective: 15-Jun-05	Closing: 28-Feb-10	ncoulson@worldbank.org
Allocated: US\$ 13 million		Disbursed: US\$12 million	Available: US\$1 million
Objective: To meet the short-term capacity needs of the Afghan Civil Service through two inter-related programs: the Afghanistan Expatriate Program (AEP) and the Lateral Entry Program (LEP).			
<p>Component 1: The Afghan Expatriates Program (US\$ 10 million) The "Afghan Expatriates" component enabled exceptionally well-qualified Afghan experts residing abroad to work as senior advisers to help key line ministries and apex agencies with institutional reforms, human resources development, and formulation and management of priority development programs</p> <p>Component 2: The Lateral Entry Program (US\$ 3 million) aims to recruit a significant number of qualified Afghan professionals to 'act' in line civil service positions between Grades 2 and 4, on a scale of up to US \$ 2,000 on contract for a term of 2 years, renewable once for one year and no more, with the purpose of:</p> <ul style="list-style-type: none"> • Providing short to medium term capacity to ministries primarily in agencies where the PRR effort has been slow to take off. • Laying the foundation for the reform process in ministries and government agencies, which are currently not under the PRR process. <p>Training, mentoring and motivating regular post holders to work more efficiently and more effectively for the government, providing an alternative to the continued extensive use of technical assistance and consultants.</p>			
<p>Implementation Progress</p> <p>(AEP): To date, 98 positions (including 3 women) have been filled through the AEP in over 20 ministries and agencies.</p> <p>(LEP): To date 139 lateral entrants (including 4 women) have been recruited to work in over 22 ministries and agencies.</p>			
<p>Issues and Actions</p> <p>Independent evaluations were conducted of the AEP and LEP. The results of the two reviews and subsequent discussions with Government (MoF and the IARCSC) identified a new, unified program with a single set of criteria for identifying needs, recruitment, remuneration and supervision. The new Management Capacity Program (MCP) has significant advantages over maintaining two separate programs to respond to the short to medium-term management capacity needs of ministries and is described in project 2 below.</p>			

Please visit the Afghanistan Expatriate Program website: <http://www.artfexpat.gov.af/about.html>



2. MANAGEMENT CAPACITY PROGRAM (TF090077)			Contact: Mr. Nigel Peter Coulson
Approved: 30-June-07	Effective: 17-Oct-07	Closing: 31-Mar-10	ncoulson@worldbank.org
Allocated: US\$10 million	Disbursed: -	Available: US\$10 million	
<p>Objective: To achieve sustained improved performance in the management capacity of key departments dealing with any or all of the common functions including financial management, human resource management, policy and regulatory design, and administration. This should ultimately result in improved utilization and cost effectiveness of budgetary resources and faster and better development results on the ground.</p>			
<p>The “Management Capacity Program” (MCP) would essentially support the interim buying-in of critical management capacity to line ministries to complement donor provided technical advisory assistance. The purpose would be to improve the utilization and cost effectiveness of donor resources and generate faster and better development results on the ground. This is necessarily an interim solution to address the multiple capacity challenges facing Afghanistan: a small pool of Afghan professionals; competing demands from UN agencies and bilateral donors who continue to implement projects outside the government systems; and the ongoing distortions in the remuneration levels for skilled manpower.</p> <p>Component 1: <u>Provision of management services component</u> Component 2: <u>Program management component</u> would strengthen the Capacity Development Secretariat (CDS) within the IARCSC.</p>			
<p>Implementation Progress Key features of the MCP include:</p> <ul style="list-style-type: none"> ➤ focus on senior-level line positions; ➤ support of common functions (procurement, financial management, human resource management, administration, etc) and provincial and district administration; ➤ offer competitive remuneration (comparable to international organizations) to attract and retain the required skills; ➤ strengthen Capacity Development Secretariat; ➤ oversight of program by PAR Steering Committee. <p>The project was declared effective in October 2007 following the completion of the project manual and the financial manual. The procurement of technical assistance to support HRM, Contracting and monitoring has been finalized and the Technical Assistance mobilized, a procurement plan for the first 70 positions has been approved so that implementation can now commence, as funding under the Civil Service Capacity Program is fully utilized.</p>			
<p>Issues and Actions To continue to raise awareness with ministries of the support provided by MCP, leading to successful applications being made. A number of initial of ministry applications have been received and are awaiting the mobilization of the International TA to ensure the Quality Assurance and build further capacity.</p>			

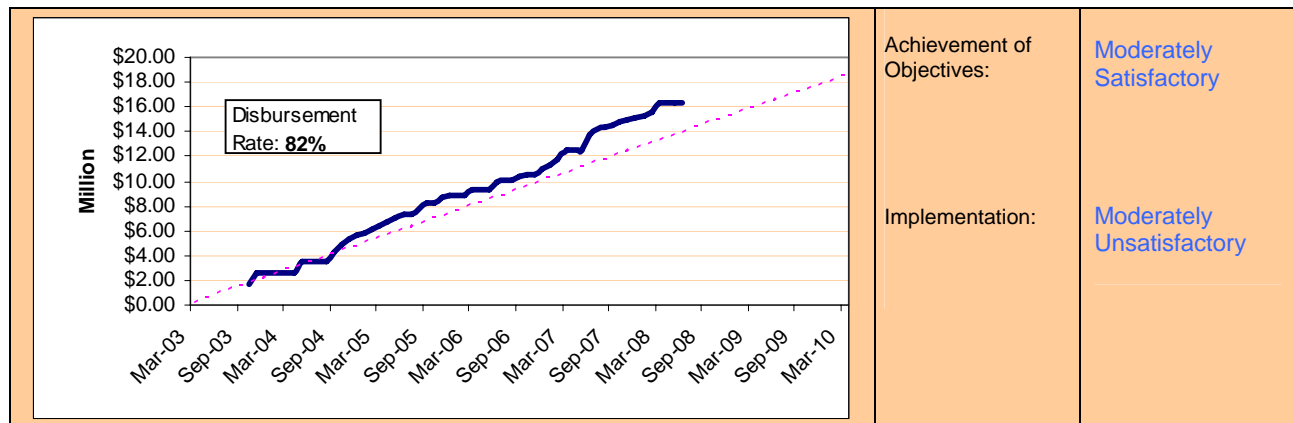


3. TECHNICAL ASSISTANCE AND FEASIBILITY STUDIES FACILITY (TF050970)				Contact: Ms. Ludmilla Butenko		
Approved: 08-Mar-03		Effective: 08-Mar-03		Closing: 28-Feb-10		lbutenko@worldbank.org
Allocated: US\$18.5 million			Disbursed: US\$16.3 million		Available: US\$2.2 million	
Objective: To build capacity of Government by providing expertise to line ministries and developing local technical and professional capacity to define reconstruction and development projects.						
<p>Component 1: Feasibility Studies and Implementation Support: Aims to identify and prepare projects for financing and implementation. This component supports the recruitment of specialized firms to undertake the feasibility studies and provide management support in the implementation of IDA and ARTF funded projects in line ministries..</p> <p>Component 2: Recruitment of Individual Consultants: Aims at recruiting specialists to guide the preparation and supervision of reconstruction and development activities and supervise feasibility studies on behalf of the Government.</p>						
Implementation Progress						
<p>Component 1: A total of ten contracts have been awarded to consulting firms during the life of the project, which were mostly used for activities to support the Ministry of Mines, Ministry of Urban Reconstruction and Development, Kabul Municipality, and Ministry of Energy and Water, for a total commitment of about US\$ 16.5 million. The cumulative committed amount is almost fully disbursed, with only one contract remaining to be implemented and paid by the end of September 2008 (SMEC - Consulting Services for MUDH).</p> <p>Component 2: There are no individual experts currently working in the line ministries. Due to the changes in the circumstances and availability of funds directly related to the underlying sector interventions, individual TA support is being provided by the respective sector operations, both IDA and ARTF funded.</p>						
Date	Type	US\$ Million	Contractor	Country	Status	
Jun-05	Baghdara Hydro Power Plant Feasibility Study for MEW	3.8	Fichtner GmBH& CoKG	Germany	Phase completed	I under TAFS*
Dec-05	Consulting Services for MUDH (Urban Plan)	2.6	SMEC	Australia	On-going	
Mar-06	FM Consulting Services for Kabul Municipality (Urban Plan)	0.3	IPE	India	Completed	
Jul-06	Aynak Copper Deposit Transaction Advisor	0.9	Gustavson Associates	USA	Completed under TAFS**	
<p>* Phase 2, amendment for which is being negotiated, is planned to be financed under the underlying IDA Power project.</p> <p>** TAFS financed portion of contract completed, Addendum 2 to the contract is under the IDA Natural Resources Management Project.</p>						

Issues and Actions

Judging by the activities implemented, the project has had a lower than expected impact in terms of feasibility studies and its contribution to the preparation of the public investment pipeline. In many cases, individual consultants were employed for short term assignments. To what extent the engagements of individual consultants have contributed toward capacity building in Afghanistan is difficult to assess but the impact is likely to be limited.

The consulting firms engaged have provided a sound contribution to the design and management of the projects that they were supporting. For example, Gustavson Associate’s work has been instrumental in the preparation of a transparent and efficient tender process for the Aynak copper deposit. The contract has been amended to include the support to the Ministry of Mines in the negotiations with the winning bidder, however additional scope of work is being financed under the IDA project.



Achievement of Objectives:	Moderately Satisfactory
Implementation:	Moderately Unsatisfactory

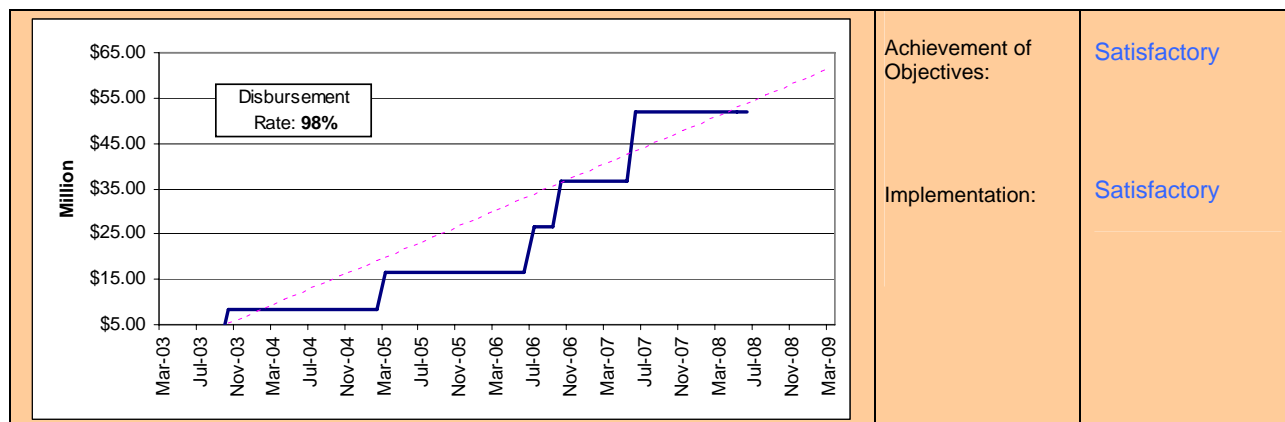
4. NATIONAL EMERGENCY EMPLOYMENT PROGRAM-1 (NEEP-I, TF050973) [PART OF THE GOVERNMENT'S NATIONAL RURAL ACCESS PROGRAM]			Contact: Ms. Susanne Holste & Mr. Hasan Afzal Zaidi		
Approved: 14-Mar-03	Effective: 14-Mar-03	Closing: 31-Mar-09	sholste@worldbank.org , hzaidi@worldbank.org		
Allocated: US\$52.8 million		Disbursed: US\$51.9 million	Available: US\$0.9 million		
Objective: To assist the government in providing employment in rural areas at a minimum wage, as a safety net, to as many people in as short a time as possible. This objective should be read in conjunction with the objective of government's NRAP which is to enhance human security and promote equitable economic growth by ensuring year-round access to markets, basic services and facilities in the rural areas of Afghanistan, through promoting local productive capacity, and private sector development of essential rural access infrastructure and employment creation for the rural poor.					
Component 1: Road Sector Labor Intensive Public Works					
Component 2: Irrigation Labor Intensive Public Works					
Implementation Progress					
The National Rural Access Program (NRAP) is one of the government's most successful national priority programs. Currently the World Bank administers financing for two projects under NRAP: The Japanese-funded Disarmament/Demobilization and Reintegration/Rural Alternative Livelihoods project (DDR/RAL, Grant no. 53415), and the ARTF-funded NEEP-1.					
The specific progress under the ARTF-funded NEEP-I (and additional funding under the NEEP extension) is:					
Project	Performance Indicators	Baseline	Revised	Committed	Achieved to date
NEEP-I	Roads (kms)	5,000	2,725	2,461	2,461
	Irrigation	24,000 hectares rehabilitated	15,000 hectares rehabilitated	15,000 hectares rehabilitated	15,000 hectares rehabilitated
	Un-skilled Labor days	5,000,000	3,400,000	4,000,000	3,728,000
NEEP/NRAP (ARTF NEEP-1 Extension)	Roads (kms)	850	600	590.9	403.52
	Bridges (m)	728	702	656.62	630.37
	Cross Drainage Structures (m)	n.a.	6,000	7,574.66	5,833.26
	Un-skilled Labor days	4,780,000	1,500,000	1,599,394 ¹⁴	1,205,972
Issues and Actions					
Effective delivery mechanism: NRAP and its supporting projects are effective in providing rural access infrastructure and linking communities across the country. Considerable economic benefits accrue to the rural population. The program has demonstrated the government's ability to rehabilitate roads and has given a boost to the emerging Afghan private sector as companies throughout the country respond to tenders.					
Constraints: Implementation of NEEP-I has been delayed by a number of factors, such processing of project proposals, release of funds, adverse security, lack of capacity of line ministries, and staff turnover. Many of these slippages were absorbed by the Implementing Partner (UNOPS) but have delayed overall project implementation.					

¹⁴ Exact committed figures for labor-days are being recalculated by MRRD.

Change in objective: The original NEEP-1 primarily focused on being an emergency safety-net program, providing employment to as many people in the shortest possible time through improvement of basic rural access infrastructure. However, the objective has been realigned to support government’s National Rural Access Program (NRAP) to create durable and sustainable rural access infrastructure, while generating short-term employment when feasible.

Government’s new National Emergency Rural Access Project: The World Bank currently supports the NRAP through the National Emergency Rural Access Project (NERAP) which was approved by the World Bank Board on 13 December 2007. The government is currently completing the requirements for project effectiveness.

Security: The major challenge in implementation remains deteriorating security conditions in the southern and eastern regions. The worst affected provinces are Kandahar and Helmand but continued operation in several other provinces is becoming increasingly difficult.



Achievement of Objectives:

Satisfactory

Implementation:

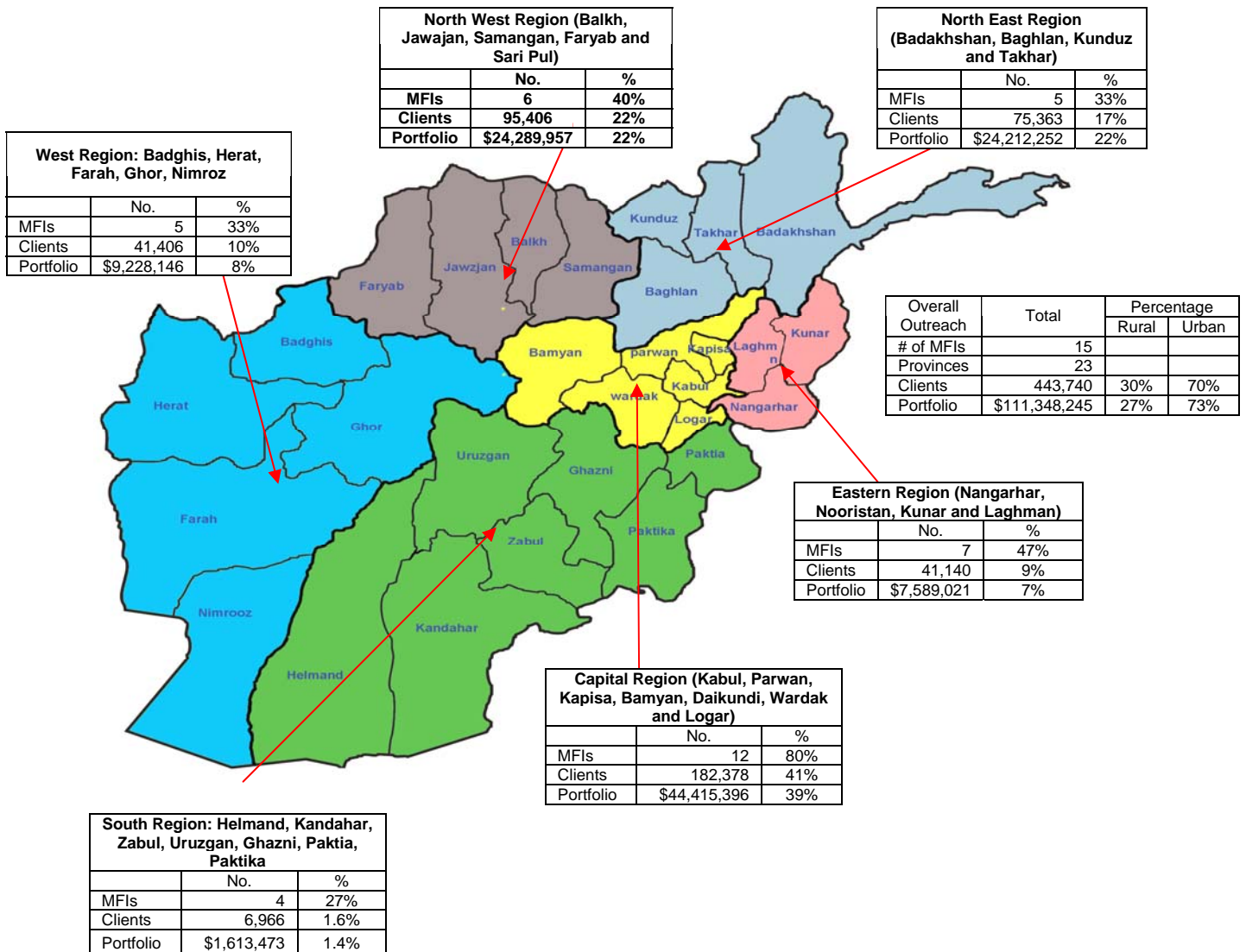
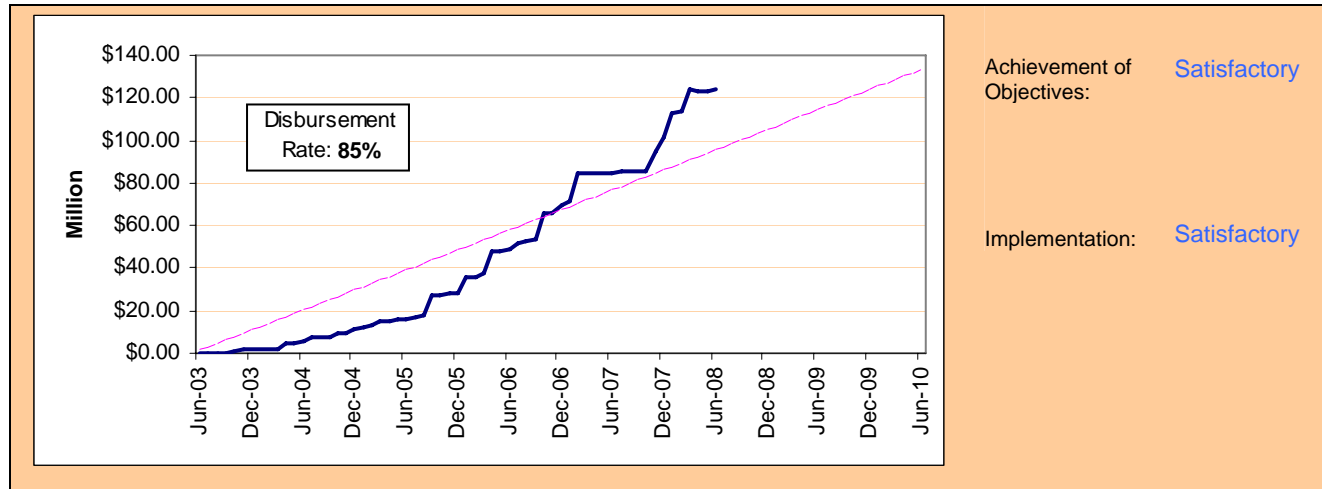
Satisfactory

5. MICROFINANCE SUPPORT FOR POVERTY REDUCTION (TF052452)			Contact: Mr. Niraj Verma, Mr. Stephen F. Rasmussen
Approved: 10-July-03	Effective: 10-July-03	Closing: 30-June-10	nverma@worldbank.org srasmussen@worldbank.org
Allocated: US\$133.3 million		Disbursed: US\$124.0 million	Undisbursed: US\$9.3 million
Objective: To help Afghans improve their livelihoods using microfinance as a tool to make the transition from dependence on humanitarian assistance to economic independence and empowerment to build on entrepreneurial spirit and skills.			
Component 1: Microfinance Fund (Loan fund)			
Component 2: Capacity-building/training of Microfinance Providers (MFPs)			
Component 3: Implementation Support			
Component 4: Strengthening MFPs			
Component 5: Support to MISFA ¹⁵			
Implementation Progress			
Geographic Coverage: The sector has 271 branches across 23 provinces. BRAC and WOCCU have continued their operations in the southern provinces (Helmand and Kandahar). BRAC disbursed US\$213,200 in Helmand and US\$74,400 in Kandahar. WOCCU has established an office in Helmand, completed staff recruitment and disbursed US\$121,700. It is anticipated that MISFA will sign agreements with two new organizations to begin operations in Ghor and Daykundi provinces.			
Sector Update: As of May 2008 and over four years of operation, the sector has about 444,000 active clients out of which over 375,000 are active borrowers with an outstanding gross loan portfolio of over US\$111.34 million . The sector has cumulatively disbursed an amount of US\$453.31 million to more than 1.15 million borrowers . The current average loan size is US\$297. Repayment rate has come down slightly due to security constraints and staff management issues in some areas but is within acceptable levels (96%). Corrective measures have been initiated. Besides credit, MFIs have collected US\$15.22 million in small savings deposits and the first, landmark loan agreement – facilitated by MISFA – between a commercial bank and an MFI has been signed (June 2008).			
Gender / Special Clients: At present there are over 284,200 women clients (64 percent of the total clients). Some of the microfinance partners specifically cater to women clients. The sector employs about 4,778 staff, of which 40 percent are female. MISFA has trained over 600 Afghans in microfinance. There are also over 3,000 disabled and over 13,000 returnee clients.			
MISFA Registration: MISFA has registered with AISA as an Afghan company. Twelve MISFA partner MFIs are also registered as companies under Afghan law and the others are in the process of regularizing their status or are registered under another authority e.g FMFB-A is registered with the Central Bank.			
Projections: It is expected that by the end of SY1387 the sector will cover over half a million households and that a total amount of nearly half a billion dollars in loans will have been disbursed. Two-thirds of the clients will remain female, an increasing number of loans will be disbursed in rural areas, and MFIs will be active in twenty-five provinces.			
Issues and Actions			
Funding Issues. It is anticipated that a facility for approximately US\$50 million from the ARTF will be approved this fiscal year. MISFA has signed an agreement for US\$30 million with IDA and US\$5 million will be made available for the MISFA/ARIES SME project. MISFA is currently able to cover its operating costs from income earned on its portfolio.			

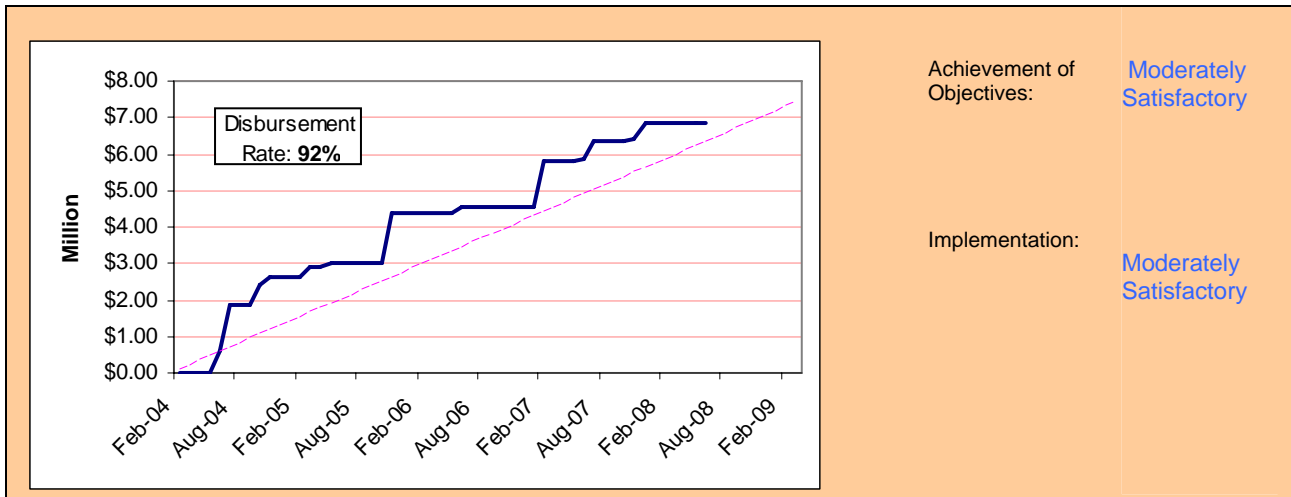
For more information on Microfinance in Afghanistan, please visit www.misfa.org.af.

¹⁵ Currently only Components 1, 2 and 4 are active. Remaining components have not been funded recently.

FIGURE 1

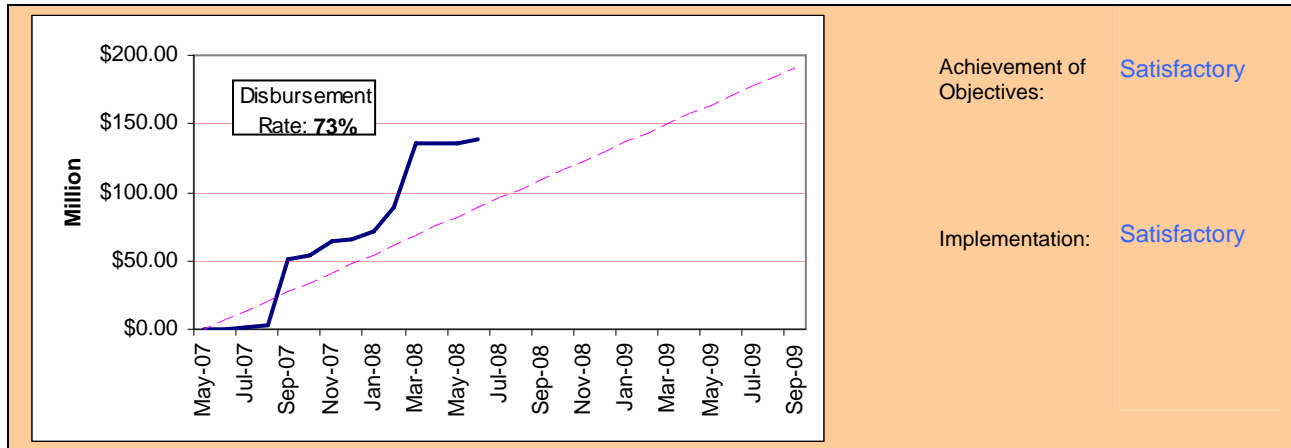


6. IMPROVEMENT OF POWER SUPPLY TO KABUL (TF052541)			Contact: Mr. Pedro E. Sanchez
Approved: 10-Dec-03	Effective: 02-Feb-04	Closing: 31-Mar-08	psanchez@worldbank.org
Allocated: US\$7.4 million	Disbursed: US\$ 6.8 million	Available: US\$0.6 million	
<p>Objective: The objectives of this project are to improve the availability and reliability of power supply in Kabul through the Mahipar hydropower station rehabilitation, including 110 kV of transmission lines. Measures will also be taken to improve street lighting.</p>			
<p>Component 1: Rehabilitation of Hydro Power Stations Component 2: Rehabilitation of Transmission Lines Sarobi-Kabul Component 3: Rehabilitation of Public Lighting in Kabul</p>			
<p>Implementation Progress</p> <p>Component 1: This component consists of the comprehensive rehabilitation of two units of 22 MW each at the Mahipar power station. The first unit was commissioned in May 2007 and the second unit is expected to be completed by December 2008. Power production in Mahipar is key for power supply in Kabul during the winter as the river feeding this power station has water only during this season (December–May) without any other competing usage. Energy produced in one unit in Mahipar can supply at least 16,000 households during the winter (assuming the average consumption of 200 kWh/month in Kabul). In addition, the alternative to produce this energy with thermal units would require 12 million liters of fuel, which would cost about USD12 million at the current oil prices.</p> <p>Component 2: The 110 kv transmission line from the hydropower stations to Kabul was dilapidated and overloaded, and the Breshna Kot substation to which it is connected was destroyed during the war. The component funded by ARTF consisted of co-financing the rehabilitation of the nonfunctional transmission line between Sarobi and Breshna Kot sub-stations. The total cost of the project was EUR 5.5 million, and out of that amount, ARTF funded EUR 1 million, which represents 18 percent of the total. This component was completed in March 2006, and the benefit of rehabilitating this line and the Breshna-Kot substation is to provide power supply to southern part of Kabul city involving about 25,000 households. In addition, this line provides back-up support to the Naghlu-Kabul line, which provides the main power supply to Kabul.</p> <p>Component 3: Kabul's street lighting system has been largely destroyed by the war. At the time the project was initiated, Kabul was almost at dark during the nights aggravating the general security in Kabul. The component funded by ARTF consisted of co-financing the rehabilitation of the main public lighting system in Kabul by providing new equipment and installations. The total cost of the project was EUR 3 million, and out of that amount, ARTF agreed to fund EUR 1 million, which represented 33 percent of the total. This component was completed in February 2005. The main benefit of the project was to rehabilitate about 116 kilometers of street-lighting circuits, which benefited about 30,000 premises in different areas of the city and improved security in these areas.</p>			
<p>Issues and Actions:</p> <p>Component 1 has been delayed due to changes in the initial scope of work due to the need to run most units during the winter as this station only has water during this season. The initial scope was partially to rehabilitate two units (Units 3 and 2) using some parts of the third unit (Unit 1) as it was assumed that there was not enough water flow to run three units simultaneously. During project implementation, GoA, with the help of the contractor managed to keep Unit 1 running, and decided not to cannibalize its parts any more. As a result of that, Unit 2 was not completed in 2007 as expected. In order to complete that process, KfW has agreed to finance and order missing parts to complete rehabilitation of Unit 2, which is estimated to cost about Euro 1.7 million, and provide additional funds of about US\$500,000 to cover a financing gap in VSHK contract due to Euro appreciation.</p>			

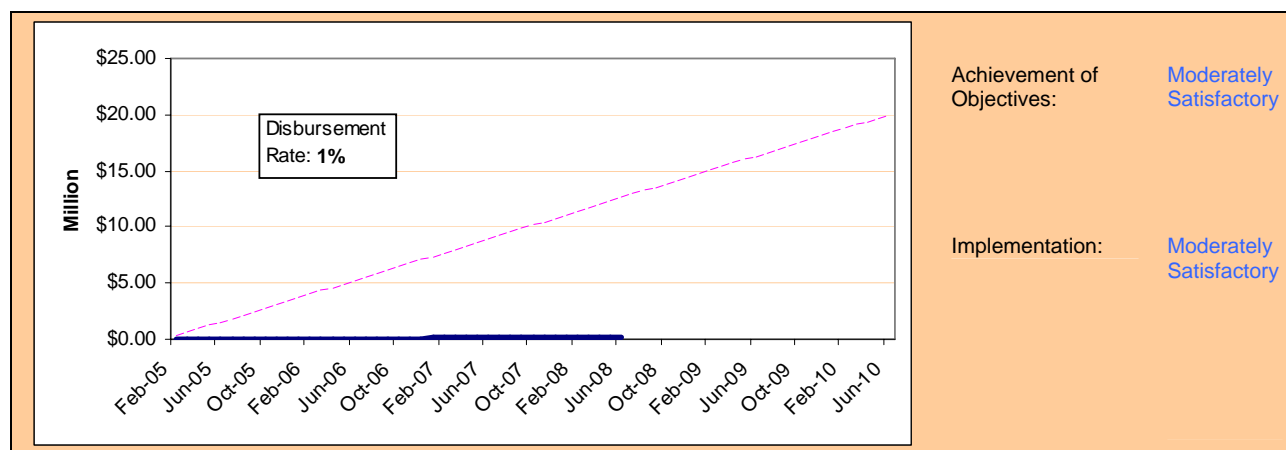


7. NATIONAL SOLIDARITY PROGRAM II (NSP II) TF090205			Contact: Ms. Susanne Holste
Approved: 07-Dec-06	Effective: 27-May-07	Closing: 30-Sep-09	sholste@worldbank.org
Allocated: US\$191.5 million	Disbursed: US\$138.4 million	Available: US\$53.1 million	
Objective: To lay the foundations for strengthening community level governance, and to support community reconstruction and development projects that improve access of the rural communities to social and productive infrastructure and services.			
Component 1: Block Grants for Communities to Implement Reconstruction and Development Sub-projects			
Component 2: Community Facilitation and Capacity Building			
Component 3: Program Implementation Management Support, Monitoring and Evaluation			
Implementation Progress:			
<p>The Second National Solidarity Project (NSP II) became effective on May 15, 2007, following up the NSPI which closed on March 31, 2007. NSP II continues to support the NSP roll-out to an additional 4,300 communities toward the targeted 21,600 communities in Afghanistan representing 90 percent of the country. As of June 2008, more than 21, 879 communities were mobilized, exceeding the target. Approximately 21, 339 of these communities successfully elected Community Development Councils (CDCs) and about 20,834 Community Development Plans (CDPs) were formulated. 38,911 sub-project proposals were approved and of which 20,975 were completed. About 79 percent of the sub-projects develop productive infrastructure: water supply & sanitation (24 percent), rural roads (23 percent), irrigation (16 percent), village electrification (15 percent).</p>			
Issues and Actions:			
<p>1) New allocation in SY1387 (Grant no. 090205): For SY1387, ARTF financing of US\$174 million received blanket approval by the MC on May 13, 2008 with US\$20 million disbursed as of June, 2008. The available balance is US\$41.9 million and is expected to be fully disbursed by the end of July 2008. An application for release of an additional tranche of US\$60 million will be made at the next MC meeting on July 15, 2008.</p>			
<p>2) Funding shortfall for NSP roll-out: Funding shortfalls continue to be a problem for the program. NSP has been so successful and is in such great demand by the population that the program has rolled out faster than available funding. NSP has consistently faced difficulties to meet its obligations towards the communities and facilitating partners, though these difficulties have been significantly eased with the recent ARTF allocations for SY 1387.</p>			
<p>3) Security: Security is increasingly the concern of the project implementation. Threats and attacks against MRRD staff and facilitating partners continue. The security situation in the districts is very fluid and the FPs and NSP must adjust accordingly. The World Bank, NSP/MRRD, and FPs have drafted a strategy for working in high risk areas which is to be piloted in Kandahar shortly. NSP could be used effectively to stabilize those districts which are presently secure by demonstrating the ability of government to deliver needed services to the population and thus could serve as an effective stabilization instrument. Contracts with FPs for NSP implementation in high risk districts are being finalized and implementation should begin soon.</p>			
<p>4) Consolidating CDCs: The NSP has been instrumental in setting up the Community Development Councils (CDCs). In its second phase of implementation, the roles of CDCs which have fully utilized their blocks grants are being discussed and the concept for a possible third phase is being developed. CDCs have effectively become the lowest level of governance and an effective institution to manage development assistance and resolve local issues. The CDC by law confers legal status. It is evident that CDCs cannot yet self-finance but going forward, CDCs may be an increasingly effective development instrument in rural Afghanistan.</p>			

The Mid-Term Review (MTR) of NSP II took place from April-June 2008. The purpose of the MTR was to reassess the relevance of the project development objectives, evaluation its development impact, outcome, and outputs, assess the likelihood of achieving them and make any mid-course adjustments to project implementation if needed. The Aide Mémoire for this MTR will be available by 15 July 2008.



8. EMERGENCY POWER REHABILITATION PROJECT (Naghlu HPP) (TF054718)			Contact: Ms. Sunil Khosla
Approved: 13-Feb-05	Effective: 13-Feb-05	Closing: 30-Jun-10	skholsa1@worldbank.org
Allocated: US\$20 million		Disbursed: US\$0.2 million	Available: US\$19.8 million
Objective: To improve reliability of the power supply in Kabul.			
Component 1: Rehabilitation of 100 MW Naghlu Hydropower Plant in Laghman province (US\$18.9 million)			
Component 2: Supervisory Engineer for Rehabilitation of Naghlu Hydropower Plant (US\$1.1 million)			
Implementation Progress			
<p>The contract for the rehabilitation of the Naghlu Hydropower Station with Technopromexport (Russia), and co-financed with IDA, was signed on August 30, 2006 and became effective on November 30, 2006 following the transfer of the advance payment and establishment of the letter of credit. The contract for the supervision consultant was signed on September 18, 2006 and became effective on December 27, 2006. The supervision consultant team would be full time at site from July 1, 2008.</p> <p>The camp site has been constructed, most of the equipment for Unit 1 (Generator, excitation system, turbine, inlet valve, transformer etc.) have been designed and manufactured. Transformer has been dispatched to site. The operational acceptance test for the first unit (25 MW) is scheduled for the first quarter of 2009, the second unit for the third quarter 2009, the third unit for the fourth quarter 2009, and the fourth and final unit expected to be completed by the 2nd quarter of 2010. Payments under the letter of credit will be made against achieving these milestones.</p>			
Issues and Actions:			
Nothing significant to report.			



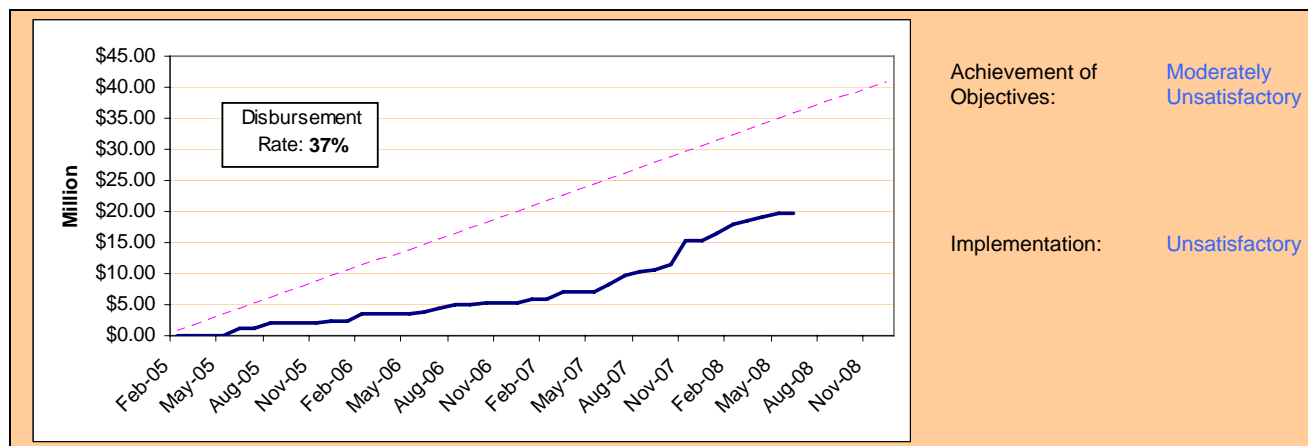
9. URBAN WATER SUPPLY AND SANITATION (TF054729)			Contact: Mrs. Karine Fourmond
Approved: 21-Feb-05	Effective: 21-Feb-05	Closing: 31-Dec-08	kfourmond@worldbank.org
Allocated: US\$41 million		Disbursed: US\$19.6 million	Available: US\$21.4 million
Objective: To provide sustainable, improved water supply and sanitation services to urban areas and to build the technical and institutional foundation for the medium term.			
Component 1: Kabul Water Supply – Upper Kabul River Well-field, Transmission Mains and Distribution Networks.			
Component 2: Kabul Sanitation – Construction of New Facilities for On-site Sanitation and Municipal Solid Waste.			
Component 3: Provincial Towns Water Supply/Sanitation – Rehabilitation and Extension of Systems in 13 Provincial Towns.			
Component 4: Engineering Support and Technical Assistance to Central Authority for Water Supply and Sewerage (CAWSS) and Kabul Municipality.			
Component 5: Financial Support to the Government’s Central Authority for Water Supply and Sewerage (CAWSS) Operations.			
<u>Implementation Progress</u>			
<p>1. Kabul Water Supply: The construction of boreholes is on-going (7+2 boreholes are completed in Logar and 10+1 are completed in Allaudin) and the outstanding works are being finalised. The land acquisition process for the boreholes still require a few clarifications to be fully in line with the provisions of the project’s Environmental and Social Management Framework. Bids for the second (pipelines and equipment for well fields and pumping stations), third (collector pipes and transmission mains), and fourth (principal and local mains) works packages were received in September 2007 and the bids evaluation reports were submitted. However, the finalization of the corresponding construction contracts is delayed by price escalation considerations.</p>			
<p>2. Kabul Sanitation: The consultancies to assist Kabul Municipality in implementing the project are mobilized. Activities to provide Operations Support to the Department of Sanitation are completed and covered subjects such as public awareness campaign, management information system etc. A few contracts for goods and small works are completed, including a co-composting pilot and the construction of a workshop for the Department of Sanitation. Bids for disposal facilities (upgrading of Chamtala dumpsite and construction of sludge/septage disposal station) received in December 2007 were non-responsive and unfortunately, these works have now to be re-tendered.</p>			
<p>3. Provincial Towns Water Supply/Sanitation: This project component covers Sheberghan, Mazar-i-Sharif, Taloqan, Charikar, Jalalabad, Metherlam, Gardez, Ghazni, Kandahar, Qalat and Maimana, Puli Khumri, and Zaranj. Four contracts for goods amounting to US\$ 9.98 million were signed in January 2007, letters of credit were opened, and some 180 containers were received in Afghanistan from various places across the world after due inspections at shipment. Contracts for drilling and pipe laying works are currently being executed whereas a few lots have to be re-tendered. Following the conduction of geo-technical investigations, the design of several reservoirs was finalized and the corresponding works were tendered. The Bid Evaluation Report is being compiled and the corresponding contracts should be signed shortly.</p>			
<p>4. Engineering Support and TA: Contracts with technical support agencies are on-going on all project components. Contracts with a total of seven individual advisors for MUD, CAWSS and Kabul Municipality were extended and up to nine individual consultants have been funded under this project. This technical support has/is enabled/ing the government to prepare follow-on operations for the medium-term program (IDA-financed Urban Water Sector Project (approved in FY06) and proposed Urban Waste Management Project for IDA FY08/09). A Working Group for the corporatisation of CAWSS, mandated by presidential</p>			

decree, has been established by MoUD and MoF in April 2006. The Articles of Incorporation of the new Afghan Water Supply and Sewerage Corporation (AUWSSC) were approved by Cabinet and immediately published in the official gazette in July 2007. Following the recruitment of a General Manager and the transfer of assets and liabilities, the new corporation is expected to enter into function anytime.

5. Financial Support to CAWSS Operations: The Financial Support to Operations of CAWSS was effective since August 2005 with about US\$2 million utilized over 20 months. This support has significantly contributed to improving the management capacity in all 14 units of CAWSS, and has generated detailed technical, financial and commercial data for the first time. Elementary financial management systems are now in place in all the towns. The Financial support to CAWSS operations was terminated as of March 21, 2007 to prepare for the transition to the financial assistance to Afghan Urban Water Supply and Sewerage Company under the IDA-financed Urban Water Sector Project (US\$40 million).

Issues and Actions:

Implementation of the major investments is now starting. Some major construction contracts for Kabul water supply are currently being signed and the ARTF Grant is progressively moving in to a situation of over-commitment, highlighting a funding gap in the range of US\$20-25 mln. The project closing date will have to be extended by 18-24 months to account for the projected construction schedule.



10. EDUCATION QUALITY IMPROVEMENT PROGRAM (EQUIP) (TF054730)			Contact: Mr Joel Reyes
Approved: 01-Jun-05	Effective: 01-Jun-05	Closing: 31-Mar-09	jreyes@worldbank.org
Allocated: US\$44 million	Disbursed: US\$9.1 million	Available: US\$34.9 million	
<p>Objective: To strengthen and support capacity of (a) schools and communities to better manage teaching/learning activities; (b) human resources (teachers, principals and educational administration personnel) and physical facilities; and (c) District Education Departments, Provincial Education Departments and the Ministry of Education (MoE). The program promotes education for girls by giving priority to female teachers and students within each component activity.</p>			
<p>Component 1: School Grants for Quality Enhancement and Infrastructure Development Component 2: Institutional and Human Resources Development Component 3: Policy Development, Monitoring and Evaluation</p>			
<p><u>Implementation Progress</u></p> <p>Implementation progress has been satisfactory. EQUIP has been declared the national program and is being implemented in all 34 provinces of the country.</p> <p>MOE continues to illustrate strong ownership of the program and despite recent issues faced with FM, the project is on track to reach its PDO. Component 1 is being implemented satisfactorily. The recent mission found during school visits that quality of school construction is satisfactory and is being completed in a timely manner. Component 2 was stalled but is now moving. The EMIS system (activity in Comp 3) further refined with cleaned data from the successful school census in 1386 is a successful project activity and is fully functioning with the data widely reported in international and national media.</p> <p>Achievements so far:</p> <ul style="list-style-type: none"> • EQUIP has been very successful in mobilizing communities for establishing School Management Committees and Parent Teacher Association under the quality grants enhancement subcomponent. Refresher programs will be needed to deepen community understanding of quality education. After school-level preparatory activities (including school surveys, awareness programs, community mobilization, and PTA training), about 3,190 SMCs have been established. All 3,190 SMCs have prepared SIPs, following the relevant training to SMC/PTAs, and provincial and district educational departments. So far, 1,753 SMCs have successfully implemented quality grants according to agreed criteria • There has been satisfactory progress in infrastructure development: (i) community participation in school construction has been significant; (ii) a menu of cost effective alternative designs has been developed. Technical supervision and enhanced monitoring of construction sites will need to be strengthened. 500 schools would have been built by the end of the project. • The modality for the national in service teacher training program has been established under the multi-donor supported teacher education program. A district based teacher training team scheme will be implemented to jump start teacher training activities in the next two years. A basic monitoring and evaluation systems in EQUIP is in place. Most notable has been the successful completion of the national school survey under the Educational Management Information System. The data is being further analyzed but initial analysis finds it to be relatively reliable. • Project management has improved significantly since EQUIP effectiveness; greater effort needs to be made in strengthening coordination across departments. <p>The entire ARTF Grant is committed and is expected to be disbursed before the project closing date.</p>			

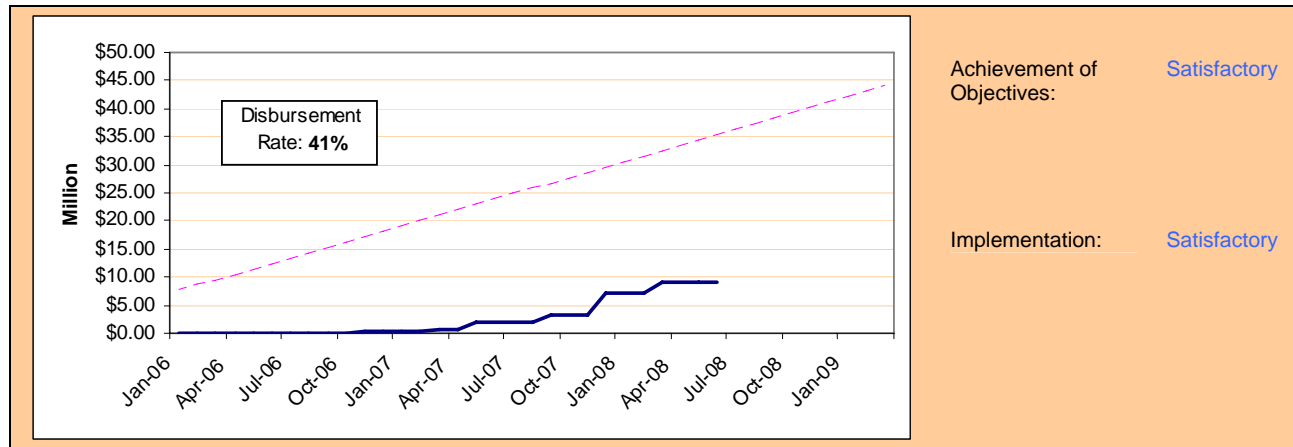
Issues and Actions:

The project disbursement has been slow in regard to ARTF funds (\$44 million) due to inefficient financial management systems in MoE and in MoF. As results of delays in payment processes, payments to contractors and salaries of both project consultants and civil servants (on the gov't payroll) have not being paid for the past 3 months. The MoE has been dealing with these issues proactively by putting in place revised FM structures, replacing non performing personnel including those responsible for the current situation.

They have also been responsive to Bank advice on institutional changes including adding international TA positions (non existent before). The FM section of the MoE is largely funded by the Danish government who have been working closely with the Bank team and the MoE on the changes being made. In order to mitigate continuous fund flow problems to the province level, the MoE with Bank support will conduct increased trainings with Mustofiats with the support of MOF.

Procurement has substantially improved in the past six months due to separation of the unit from the GMU, appointment of a capable Afghan director and two very competent international advisors.

Deteriorating security remains the chief concern and a bottleneck to speedier implementation in specific conflict areas.



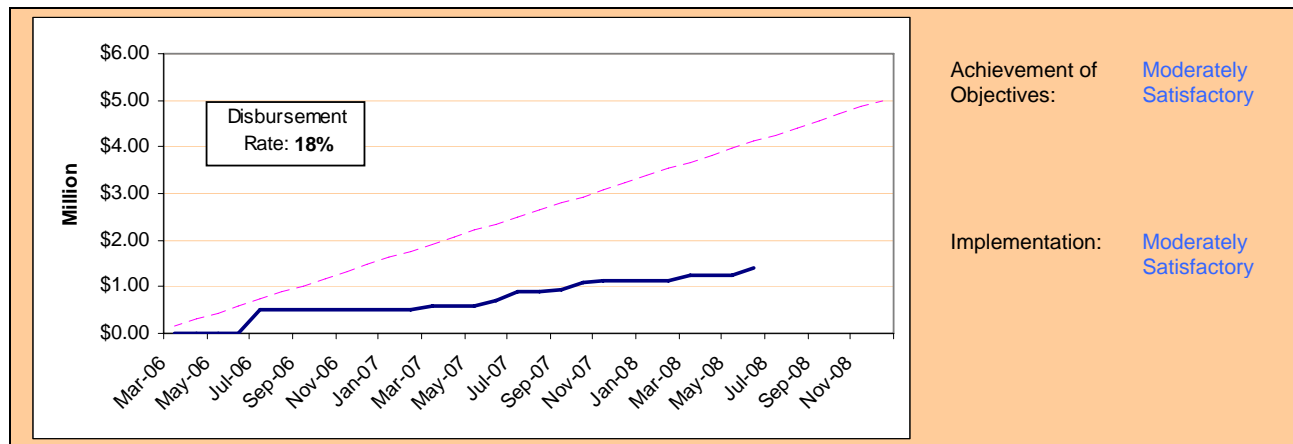
11. RURAL WATER SUPPLY AND SANITATION (TF055447))			Contact: Mrs. Karine Fourmond
Approved: 15-Dec-05	Effective: 26-Feb-06	Closing: 31-Dec-08	kfourmond@worldbank.org
Allocated: US\$5 million		Disbursed: US\$1.4 million	Available: US\$3.6 million
<p>Objective: To improve the health of rural communities by increasing awareness through integration of health and hygiene education with the provision of safe and sustainable water supply and sanitation services in eight provinces (Baghlan, Takhar, Kundoz, Kabul, Badghis, Samangan, Jowzjan, and Sari Pul); to strengthen and build the capacities of government (central and provincial) for sector development and that of NGOs, the private sector and the communities to scale up provision of safe and sustainable water supply and sanitation services.</p>			
<p>Component 1: Strengthening Capacity of Entities and Communities Component 2: Construction of Water Points and Sanitary Latrines in Rural Areas Component 3: Carrying out Studies for Developing Service Delivery Mechanism</p>			
<p><u>Implementation Progress</u></p> <p>After the MRRD recruited a Project Manager in August 2006, a Project Implementation Unit was established in the Watsan department of the Ministry of Rural Rehabilitation and Development. Procurement which is staffed with various local advisors, finance and MIS specialists as well as engineers on deputation and drivers. In light of the supervision requirements, the PIU was strengthened with a project assistant and additional drivers.</p> <p>Support Organizations were mobilized in February 2007 and software activities could then be initiated. The planning phase was completed in spring last year with district demand collection and provincial planning having resulted in the selection of 4 target districts in each of the 8 provinces in which the project is being implemented. In these 32 selected districts, action plans for selection of sub-projects were finalized at the community level together with necessary engineering designs during the last summer and Support Organisations have moved into supervision of construction activities over the winter. Hygiene and sanitation promotion and O&M training efforts have taken place in all the project villages through mobilization of hygiene promoters / visits to households and identification / training district mechanisms and water points caretakers. A total of 623 hygiene promoter couples were trained so far (93 percent) and only 3,703 households are left to be visited (7 percent). A total of 41 district mechanics were trained so far (77 percent) and only 21 water point caretakers are yet to be trained (3 percent).</p> <p>Commitment ratio stands at 85 percent (with some US\$4.234 m contractually committed so far) and the disbursement ratio stands at 28 percent and is likely to improve further in the coming weeks as the backlog of pending payments is getting cleared. Procurement of works for construction of water points and sanitary latrines (20 contracts worth US\$2.538 m) was completed for all 8 provinces in 2 batches (each contract duration being 150 days or 5 months). Construction contracts were signed between August and October 2007 and construction partners are now fully on the job. The procurement of works for gravity pipe schemes is on-going (12 contracts worth US\$0.529 m) after the procurement modalities (NCB vs community contracting) were finalized. Some 405 water points were constructed till now, which is 55 percent physical progress against the 731 water points planned, but the construction of none of the 16 gravity pipe schemes has started yet. Some 774 demonstration latrines were constructed till now, which is 28 percent physical progress against the 2,800 demonstration latrines planned.</p> <p>Implementation modalities for community procurement / contracting through Community Development Councils (CDCs) were clarified by MRRD and approved by MOF. The progress related to the contracting out of the various studies has been very slow while the actual needs of the sector do evolve. The project has reviewed the need, scope of the studies and is finalising their contracting. Key subjects include the</p>			

independent review of various implementation models being previously implemented by different actors, setting up frameworks for small towns, peri-urban areas and multi-village schemes - as well as for rural drinking water quality management, and conceptualizing the architecture of what could be a comprehensive M&E system.

Issues associated with a potential scale up include the need for fine tuning the implementation arrangements, and explicating the articulation with the NSP and broader provincial planning efforts.

Issues and Actions:

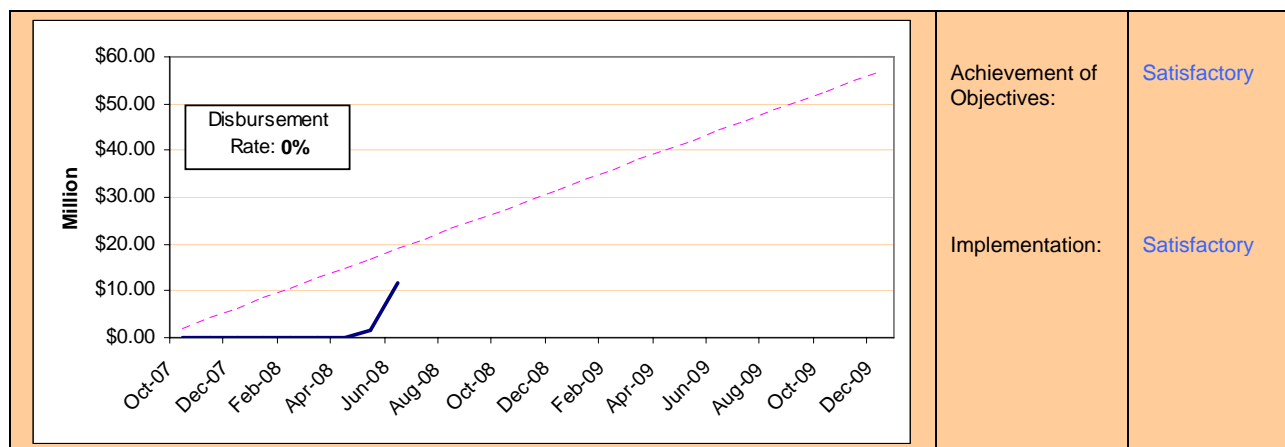
Deterioration in security conditions remain a concern and continue to affect implementation progress and quality of supervision. A few outstanding procurement activities would require close attention over the next weeks, implementation arrangements would have to be extended further and overall implementation would require tight monitoring to ensure that no third extension of closing date is required. Official requests for additional financing (US\$3.9 m) and follow on operation (US\$25.0 m) were conveyed by the MOF.



Achievement of Objectives: **Moderately Satisfactory**

Implementation: **Moderately Satisfactory**

12. KABUL/AYBAK/MAZAR-e-SHARIF POWER PROJECT (TF091120)			Contact: Ms. Sunil Khosla
Approved: 26-Dec-07	Effective: 26-Dec-07	Closing: 31-Dec-09	skholsa1@worldbank.org
Allocated: US\$57 million		Disbursed: US\$11.6 million	Available: US\$45.4 million
Objective: To provide reliable and quality power to the consumers in the target areas of the cities of Kabul, Aybak and Mazar-e-Sharif.			
Component 1: Distribution System Rehabilitation of part of Kabul City network.			
Component 2: 220 kV Substation at Aybak and interconnection with medium voltage system			
Component 3: Power System Rehabilitation for Mazar-e-Sharif			
Component 4: Institutional capacity building / support			
<u>Implementation Progress</u>			
Contractors for implementation of work at Kabul and Mazar-e-Sharif have been selected through international competition and the preparatory work has started. The Contractor for Aybak and Mazar substation augmentation is under selection for which bids were opened on June 21, 2008.			
<u>Issues and Actions:</u>			
1. In consultation with DABS and MEW metering strategy for the distribution system for these areas would be finalized.			



13. HORTICULTURE AND LIVESTOCK PRODUCTIVITY PROJECT (TF091885)			Contact: Mr. Usman Qamar
Approved: 26-May-08	Effective: 26-May-08	Closing: 31-Dec-09	uqamar@worldbank.org
Allocated: US\$11 million	Disbursed: US\$0 million	Available: US\$11 million	
Objective: To stimulate perennial horticulture and livestock marketable output in focus areas by improving the incentives framework for private investments and strengthening institutional capacity in agriculture.			
Component 1: Increasing Productivity and Marketable Output of Perennial Horticulture;			
Component 2: Increasing Output and Productivity of Livestock; and			
Component 3: Capacity Building, and Monitoring and Evaluation Support			
Implementation Progress			
Mid- term review (MTR) of the HLP was carried out during May/June 2008 jointly by MAIL, IDA and ARTF donors. Main findings and recommendations of the MTR are as follows:			
<ul style="list-style-type: none"> • Significant progress has been achieved in accelerating project implementation since the November 2007 review mission. The procurement unit is now operating efficiently and sound financial management is continuing. • The horticulture, and integrated pest management Facilitating Partners (FPs) have mobilized and field operations are being expanded. However, creation of a National Union for Development of Horticulture in Afghanistan (NUHDA) continues to be unsatisfactory. • Animal health activities have been launched, and the poultry production facilitating partner's contract has just been signed. However, negotiations for selecting the FP for the dairy development sub-component are still proceeding and this component has yet to be launched. • Overall progress continues to lag, however, there is an improving trend and upgrading is anticipated at the next review. 			
Main Changes agreed during the MTR			
It has been agreed that one special focus cluster will be identified in each of the ten provinces covered by HLP, where farmers' needs will be addressed more comprehensively and intensively; and synergies with allied projects will be actively pursued to improve credit availability, water management and rural access, and identify ways and means to improve availability of good quality horticulture inputs. In one focus cluster, the project will also develop a full value chain on a pilot basis.			
A time bound action plan has been agreed to restructure NUHDA, including reconstitution of its board and improvement of by-laws. Timely completion of the agreed action plan will be critical for achieving the outcomes of this component.			
A simplified format for quarterly progress reports has been agreed and the results framework has been revised to add measurable indicators for gender mainstreaming and counter-narcotics.			
The closing dates would be extended by two years (up December 2011) to provide more time for completion of project components and achievement of project objective. This would, however, be subject to much improved implementation performance.			
As a result of general cost escalation (particularly for works and the dairy plant), the proposed refinements in project activities, and the proposed two year extension, project costs are estimated to increase to US\$65 million (compared to appraisal estimate of US\$49.5million). Consequently additional financing would need to be mobilized before the award of contract for the dairy plant, which is expected around March 2009.			

Issues and Actions:

Implementation Delays

a) Delays in initiating livestock activities, including signing of poultry and dairy FP agreements.

Action: MAIL/IMST and representatives of selected FPs to finalize arrangements for signing contracts and mobilizing selected FPs.

b) Delay in formalizing: (i) allocation of land for dairy development; and (ii) transfer of MAIL Veterinary clinics to the Afghanistan Veterinary Association (AVA).

Action: MAIL to complete legal transfer arrangements either totally or through long-term leases

c) Continuing inactivity of NUHDA: (i) due to lack of support; (ii) expiry of formal registration; and (iii) absence of Board of Directors.

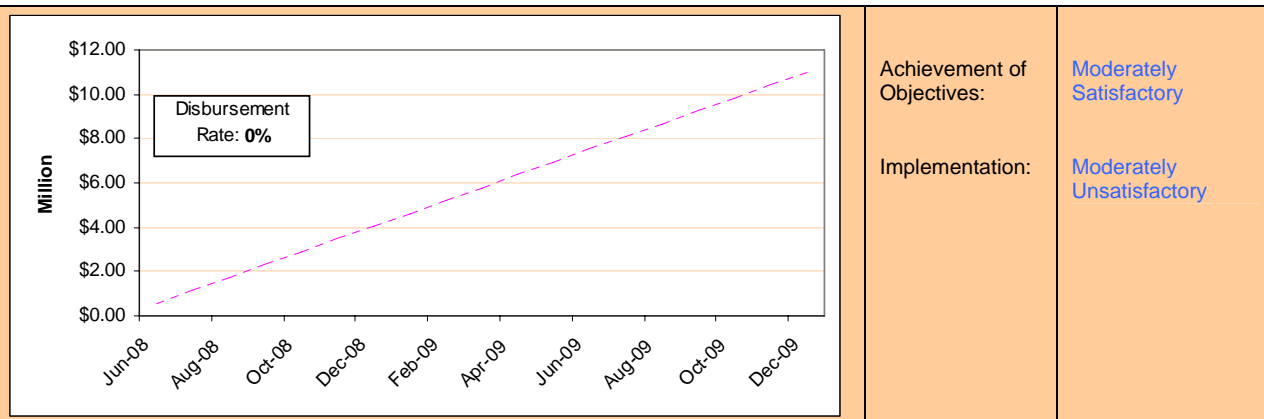
Action: MAIL and CEO and NUHDA FP to: (i) replace President; (ii) appoint qualified persons to form interim Board of Directors; and (iii) register NUHDA as an NGO.

d) Delays in appointing horticulture and livestock specialists.

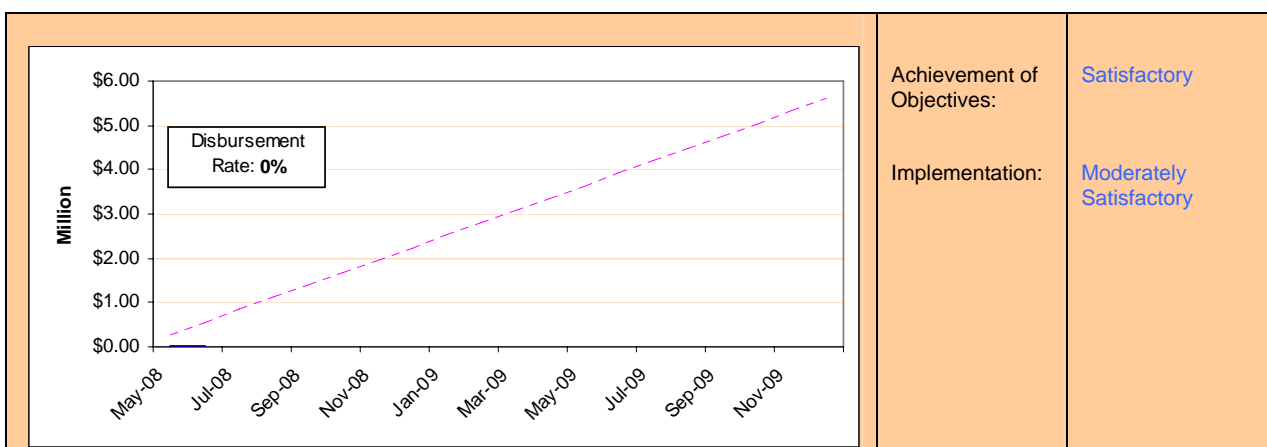
Action: Ensure urgent mobilization of qualified personnel.

e) Inadequate attention by IMST to gender mainstreaming and counter-narcotics activities.

Action: IMST and all HLP FPs to develop clear action plans for: (i) focusing project activities on women farmers; (ii) including more women in project operations; and (iii) countering risk of narcotics production in project area.



14. KABUL URBAN RECONSTRUCTION PROJECT (TF092073)			Contact: Ms. Soraya Goga
Approved: 13-May-08	Effective: 13-May-08	Closing: 31-Dec-09	sgoga@worldbank.org
Allocated: US\$5.6 million		Disbursed: US\$0 million	Available: US\$5.6 million
<p>Objective: The project, like the Kabul Urban Reconstruction Project, aims to provide improved delivery of basic urban services in vulnerable communities in Kabul through the upgrading of urban infrastructure and through enhancing the managerial capacity of Ministry of Urban Development (MOUD) and Kabul Municipality (KM).</p> <p>Component 1: Area Upgrading in Darwaze Lahori, Deh Afghanan, Andrabi, Murad Khanna (Kabul). Component 2: Engineering and Project Management Support. Component 3: Support on Cultural Heritage.</p> <p>Implementation Progress</p> <p>An initial supervision mission was carried out in June 2008. Progress is as follows:</p> <ul style="list-style-type: none"> • Community organizations have been formed in 2/4 targeted neighborhoods • Planning and engineering design has started in all 4 neighborhoods and is close to complete in 2 • Work on the Environment and Social Impact Assessments have started and is close to completion in all four neighborhoods. (This is a requirement of the World Bank as per OP 4.11). • A draft contract amendment is available for the required implementation firm <p>Issues and Actions:</p> <ul style="list-style-type: none"> • Co-ordination: There is a need for a more sustained engagement by the KURP team in existing coordination processes, including the Kabul Old City Commission (KOCC). • Information Sharing: The KURP team should develop procedures that are tailored to the specific situation that may prevail within the target gozars, and the modalities of this project. These should be shared with all necessary actors to ascertain their appropriateness and the extent to which lessons learnt from other actors on the (technical and contractual) mitigation measures that may be required for upgrading within the historic fabric have been taken into account. 			



ANNEX 2:
ARTF RECURRENT COST FINANCING

ARTF Recurrent Cost Financing: Monitoring & Oversight Arrangements

1. Overview of the Monitoring Process

The Administrator's oversight of the ARTF's recurrent cost financing includes the services of a Monitoring Agent (MA), employed by the Administrator. Figure 2 gives an overview of the monitoring process. The MA reviews recurrent cost expenditures through (i) desk review of all expenditures; and (ii) site visits to test a sample of expenditures.

Desk Reviews

Desk reviews are applied to 100 percent of all recurrent budget transactions recorded in the centralized integrated financial management system. Desk reviews are carried out before the government's reimbursement request is submitted to the Administrator. Any identified inadmissible expenditures are deducted from that month's request for reimbursement.

Site Visits

Site visits provide assurance that expenditures reimbursed by the ARTF comply with the fiduciary standards agreed between the Administrator and the Ministry of Finance. Ineligible expenditures detected during site visits are deducted from subsequent payment requests to be sent to the Administrator. This system ensures that all identified ineligible expenditures are promptly regularized and recovered from the Ministry of Finance, normally in the month following their detection in a site visit.

Compliance Testing

The MA verifies expenditure eligibility against three main sets of criteria:

- Government of Afghanistan (GoA) standards
- ARTF Provisions (Legal agreement/Grant Agreement)
- Fiduciary Standards (efficiency standards set by the Administrator)

Non-compliance with any of the above-mentioned sets of standards renders an expenditure ineligible for reimbursement from the ARTF. There are various eligibility sub-criteria under each of the three broad sets of standards mentioned above; for instance head-count caps under GoA standards. All payroll head-counts are compared to authorized levels; payroll costs of head-counts above authorized levels are ineligible. If a certain ministry shows high trends of ineligibility in payroll, the MA then increases the frequency of site visits, thereby capturing and reviewing a larger share of the expenditures on site.

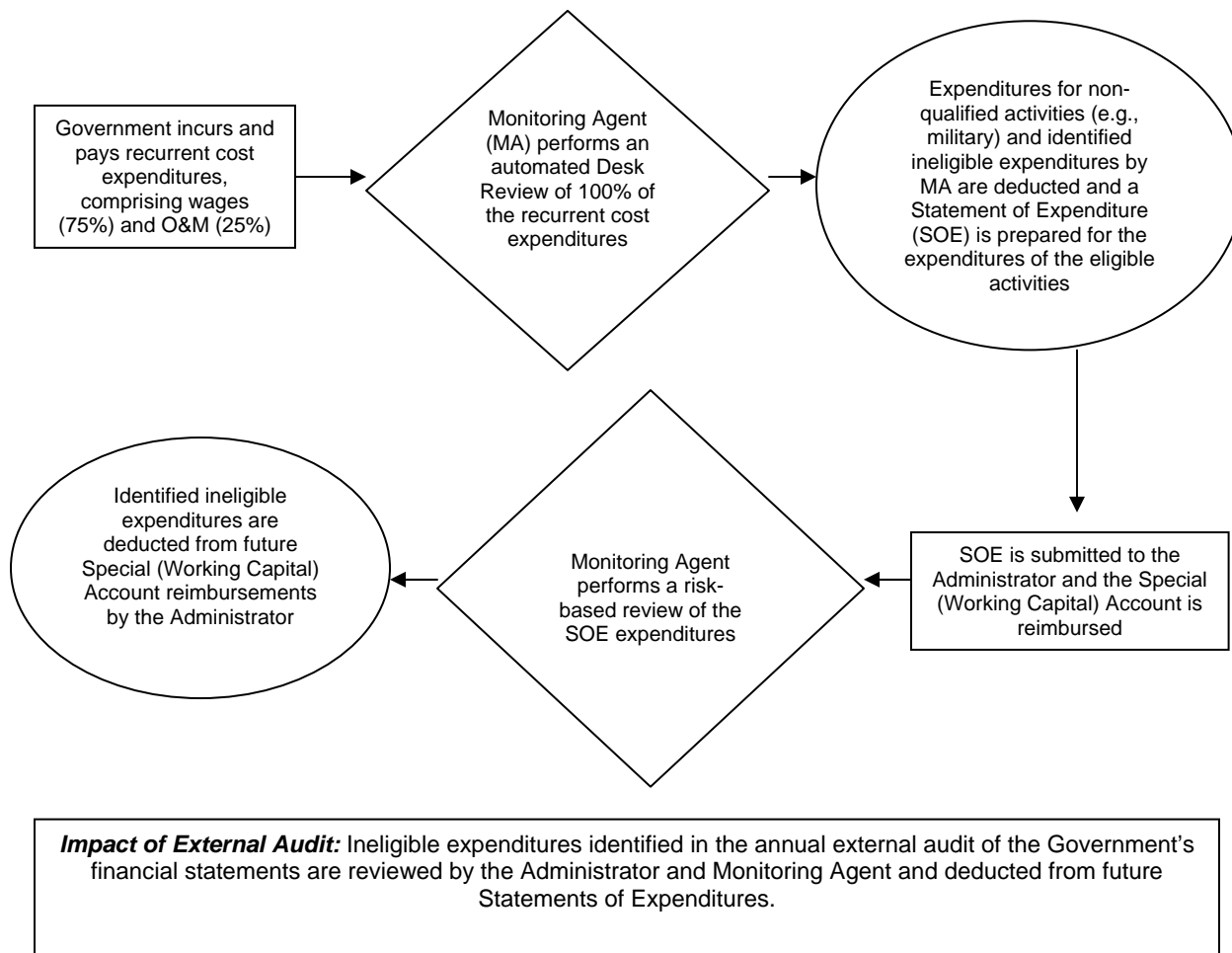
Risk-based Approach

The historic trends of ineligibility over the past four years provide a good basis for planning O&M monitoring on a risk basis, tailoring the approach based on each line ministry's performance and by the cause of ineligibility. The resulting coverage puts greater emphasis on high risk entities and high risk operations. For example, expenditures from line ministries with a history of greater ineligibility are more intensely reviewed.

Reporting

The MA reports to the Administrator on a monthly basis, detailing its activities. These reports provide insight into the usage of funds and findings arising from the MA's examination of expenditures. A summary report of the MA's findings is also shared with the Ministry of Finance. Annex 2 to this report represents a detailed analysis of budget execution and eligibility trends in **SY1386**.

Figure 5: ARTF Recurrent Cost Monitoring Process



2. Frequently Asked Questions on the ARTF Recurrent Costs Financing

Why does the ARTF support the recurrent costs of the Government?

The government is gradually improving its own revenue base, through customs and taxation, so that it can pay its recurrent expenditures fully in the future. Improvements in revenue collection are being made. However it will take some time before the government is fully able to support its recurrent expenditures by domestic revenues. According to the MTFF (Medium-Term Fiscal Framework) as of March 2007, the government plans to cover 82 percent of recurrent expenditures by domestic revenues in SY1388. Therefore, ARTF finances part of the government's approved recurrent expenditures except for security-related costs and land purchases. The annual budget is first approved by the Cabinet and, since SY1385, subsequently by the National Assembly. At the beginning of the fiscal year the Administrator and ARTF donors agree with the government on the volume of the financing gap in the recurrent expenditures budget to be financed by the ARTF.

Why does the ARTF not fund military or security related expenses?

The Articles of Agreement of the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD) (together, “the Bank”) prohibit the Bank from involvement in the political affairs of its member countries. In addition, the Articles of Agreement spell out the purposes of the Bank, which purposes have been interpreted by the Bank’s Board of Executive Directors not to permit involvement in military or security related activities of member countries. The Bank in its capacity as the trustee of the ARTF is guided by the overall purposes of the Bank, the political prohibition clause and the other provisions in the Articles of Agreement. Funding military or other security-related expenditures would be outside the Bank’s mandate and would violate the political involvement prohibition.

What kinds of recurrent costs are financed by the ARTF?

Each fiscal year the government and ARTF donors agree a proportion of government’s recurrent budget to be financed by the ARTF. Expenses up to this agreed amount are reimbursed by the ARTF during the year, as long as they adhere to the government’s financial management regulations and the fiduciary standards stipulated in the ARTF Grant Agreement. To date, approximately 72 percent of recurrent costs have been for payroll expenses and 28 percent for operations and maintenance expenses.

How does the ARTF Administrator monitor use of these funds?

The Administrator has a contract with PriceWaterhouseCoopers (PWC) to serve as a Monitoring Agent (MA), which is responsible for reviewing expenses submitted to the ARTF by the government. The MA checks compliance with (i) government’s internal controls; (ii) ARTF requirements; and (iii) efficiency standards. The MA reviews all of the expenditures codes to ensure they are eligible for ARTF funding and in line with the budget. The MA also reviews some expenses in more detail. The MA decides which expenses to examine more thoroughly by applying a carefully designed risk-based approach to monitoring.

Is it possible that some expenditures are entirely unchecked by the MA?

No, all expenditures are subject to certain minimum checks.

How does the Bank monitor the work and performance of the Monitoring Agent?

The MA is under contract with the Administrator which works closely with the MA to monitor their performance and work outputs. They meet regularly to review findings and determine follow up actions. In addition, as part of the Administrator’s fiduciary framework for all operations (whether financed by the World Bank or the ARTF), an annual independent audit is conducted. The Bank follows up with the government and the MA on audit findings. The most recent audit covering SY1385 (March 21, 2006 – March 20, 2007), has been received by the administrator and reported on to the donors.

What are ‘ineligible expenditures’?

Firstly, as noted above, any security related expenditures are ineligible for ARTF financing. In addition, any expenditure that does not adhere to the government’s budget and procurement rules, or to the reporting and cash management standards agreed with the Bank, would be ineligible. When an expenditure is found to be ‘ineligible’ it does not necessarily imply misuse or wrongdoing.

Does the ARTF directly finance the government's recurrent budget?

No. The government first funds its recurrent budget and after an initial review of eligibility by the MA, then submits expenditure details to the Administrator which reimburses government for the eligible amounts authorized by the MA. Ineligible expenditures are frequently detected by the MA before any reimbursement takes place. However, the monitoring process reviews expenditures at later stages to detect any further ineligible expenditure which may have been reimbursed to the government at the first stage.

What is the mechanism for recouping ineligible expenditures and for that matter, misused funds after they have already been paid by the ARTF?

After ineligible expenditures are detected by the MA, they are deducted from the other eligible reimbursements made by the ARTF to the government. Sometimes this happens in the same month the expenditure is submitted but often it happens later due to the lag in the monitoring process. For this reason the ineligible expenditures reported each month can vary as amounts are reconciled through an ongoing process. The same process is followed if funds have been misused but in such cases the ARTF brings the issue to the direct attention of the Ministry of Finance so that controls may be strengthened in the future.

Is the government's overall performance with regard to expenditure eligibility improving?

The overall trend is improving gradually. Improvements have been made in the government's compliance with agreed fiduciary standards, as well as government's own control procedures. The Bank is providing capacity-building support to the Ministry of Finance and the Control and Audit office to further improve compliance.

3. Financial Management in the National Government

Audit of SY1385

The audited financial statements for the recurrent cost and investment trust funds were presented to the Administrator in December 2007. The Administrator found the reports acceptable and circulated to the donors on March 21 the results of its review.

Public Financial Management

Over the last three years the government of Afghanistan established a new framework for Public Finance Management (PFM) comprising: the national budget as the main policy instrument; a commitment to transparency; centralization of accounting and payments in MoF; and a centralized computerized system to issue checks and record revenues and expenditures of the ordinary and development budgets. Parallel improvements have been made in the Da Afghanistan Bank (DAB) payment systems. The Government also established a Treasury Single Account (TSA) which ensures strong fiduciary controls (including regular sweeping of revenues to the center and bank reconciliations). External audit capacity was also developed; consequently, the 2004/5 financial statements of ARTF and IDA –financed operations have been audited to international standards.

Procurement Management

The government established a central facility for procurement that has finalized more than 527 contracts, with a total value above US\$1.5 billion, using internationally accepted standards.

Audit

The Ministry of Finance has developed work practice tools and has carried out classroom training for 100 Internal Auditors with on-the-job-training to continue through 2008. Other ministries are developing similar programs.

Analytical and Advisory Work

A major review of Afghan public financial management/PEFA indicators was performed in 2005 by the Administrator. This PEFA study was updated to December 31, 2007 and a detailed report will soon be shared with the Donors.

The main findings of the assessment suggest that:

- **Revenue Mobilization:** On “sound and fair revenue policies; revenue projection”, revenue projections are regularly updated and they are incorporated into the budget process. However, key tax policy measures have not commenced as the National Assembly has not yet approved the amendment to the income tax law. On “effective revenue administration”, the performance of the Large Taxpayer Office (LTO) has significantly improved and it currently collects 35 percent of domestic tax revenues. The Income Tax Law stipulates that basic enforcement powers for the Revenue Department of the Ministry of Finance and Mustufiats (provincial branches of the Ministry of Finance).
- **Budget Formulation:** On “strategic, realistic, predictable multi-year framework”, the Medium-Term Fiscal Framework (MTFF) was first formulated in 2005 to strengthen medium-term fiscal projections. The link between the Afghanistan National Development Strategy (ANDS) and the national budget is likely to be strengthened through the ongoing costing exercises. Also, the Ministry of Finance has been piloting initiatives on ‘program budgeting’ and ‘provincial budgeting’. With regard to “comprehensive, fully integrated budget”, the inclusion of data on municipalities and State-Owned Enterprises (SOEs) in the budget documentation requires further progress. On “orderly, open, participative budget process and revisions”, the budget circular must include indicative budget ceilings for the primary budgetary units and the budget process needs to be planned in such a way that the ministries and agencies have sufficient time to prepare their budget submissions. Also, despite progress on the part of the Ministry of Finance, strengthening capacities in the line ministries to prepare budget proposals is essential. On “adequate legislative scrutiny of the Annual Budget Law”, the Finance and Budget Commission is now providing training to its budget analysts and the members of the Commission.
- **Budget Execution:** On “effective cash management”, the cash management unit of Ministry of Finance has annual cash plan with monthly update. And all discretionary funds flows are fully consolidated through Treasury Single Account (TSA). However, cash management of line ministries and Mustufiats has little progress. On “effective debt and guarantee management”, the Ministry of Finance completed a debt management strategy in October 2005 and debt review finished a fully reconciled. On “smooth, predictable budget implementation”, a survey of arrears as well as asset registry has not yet been conducted. On “internal controls”, capacity building of internal controllers of line ministries remains an issue. On “internal audit”, in the Ministry of Finance, PRR in the internal audit department of Ministry of Finance was implemented and 200 staff was trained. Capacity building of line ministries and municipalities are still of concern. On “payroll”, the coverage of Individualized Salary Payments was increased from 23,000 in 2005 to 88,000 in 2007. On “procurement”, the Procurement Policy Unit (PPU) was established in August 2006 and Rules of Procedures for Public Procurement was issues in April 2007. Nevertheless, capacity constraints have prevented line ministries to progressively take responsibility for procurement transactions.

- **Accounting and Reporting:** On “accounting, in-year reporting”, reconciliation of government accounting records with banking data and TSA is performing satisfactory. Undertaking roll-out of AFMIS to Mustufiats has been completed in two provinces and planned for 12 more provinces. However, developing accounting capacity of municipalities and SOEs has little progress. On “transparent and accessible external financial reporting”, the Harmonized reporting and financial reviews by the Aid Coordination Unit of Ministry of Finance in late 2007 has contributed to capture and report accurate expenditures of donor implemented projects. A remaining agenda is disclosure of SOEs annual financial results.

Treasury Operations at Present

Treasury operations are advancing. Most middle management positions have been staffed. Similarly, the review of the internal controls being carried out by the MA indicates that the bank reconciliations has improved although weaknesses in payments and payroll persist. Progress on the extension of the Verified Payroll Program (VPP) has fell short of plans. These problems are being addressed.

Internal Control at MoF

All payment requests are subject to internal control by the MoF. The main procedures are as follows:

- All payment request forms are reviewed at the line ministries by the independent MoF controllers. Treasury will only accept payment authorization forms that are authorized by the independent controllers.
- Budget availability is verified at the MoF prior to issuance of checks.
- A check authorization process is in place.

4. Capacity Building in Public Financial Management

The leading cause of ineligibility is non-compliance with procurement rules. To address this problem, the MoF engaged a procurement capacity-building consultant, Charles Kendall Partners. This firm has completed a needs assessment and begun the dissemination of the procurement law and training to procurement staff.

ANNEX 3:

ARTF Financial Tables

These tables show the financial situation of ARTF at June 20, 2008. The tables are updated monthly and are available at the ARTF web site

<http://www.worldbank.org/artf>

Table 1 - Actual and Expected Donor Contributions

Paid-In, Committed, Pledged (US\$ Million)
20-Jun-2008

Donor	SY 1381	SY 1382	SY 1383	SY 1384	SY 1385	SY 1386	SY 1387					SY 1381-87	SY 1381-87	SY 1381-87	SY 1381-87
	Total Paid-in	Total Paid-in	Total Paid-in	Total Paid-in	Total Paid-in	Total Paid-in	Total Paid-in	Signed Pledges	Un-signed Pledges	Total SY 1387	% of Total SY 1387	Total	% of Total	Total Paid-in	% of Total Paid-in
Australia	0.000	2.635	6.268	7.654	5.836	2.089	0.000	0.000	31.081	31.081	4.9%	55.563	1.9%	24.482	1.0%
Bahrain	0.000	0.504	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	0.504	0.0%	0.504	0.0%
Canada	11.998	50.093	5.491	72.343	58.863	213.461	0.000	0.000	37.405	37.405	5.9%	449.654	15.1%	412.249	16.4%
Denmark	5.000	5.000	3.163	3.916	4.343	8.426	0.000	0.000	16.610	16.610	2.6%	46.458	1.6%	29.848	1.2%
EC/EU	15.871	52.720	47.595	58.771	52.720	73.615	0.000	0.000	32.522	32.522	5.1%	333.814	11.2%	301.292	12.0%
Finland	2.792	2.451	5.946	0.000	2.418	5.404	0.000	7.743	0.000	7.743	1.2%	26.755	0.9%	19.012	0.8%
Germany	10.068	11.443	15.941	1.230	20.474	55.992	15.716	30.973	0.000	46.689	7.3%	161.837	5.4%	130.864	5.2%
India	0.200	0.200	0.000	0.400	0.200	0.200	0.000	0.000	0.000	0.000	0.0%	1.200	0.0%	1.200	0.0%
Iran, Islamic Rep	0.000	0.989	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	0.989	0.0%	0.989	0.0%
Ireland	1.000	1.699	1.814	0.612	1.276	1.458	0.000	0.000	1.549	1.549	0.2%	9.407	0.3%	7.858	0.3%
Italy	17.000	0.000	6.539	0.000	9.223	8.804	0.000	0.000	15.487	15.487	2.4%	57.052	1.9%	41.565	1.7%
Japan	5.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	5.000	0.2%	5.000	0.2%
Korea, Republic of	2.000	2.000	2.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	6.000	0.2%	6.000	0.2%
Kuwait	5.000	5.000	5.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	15.000	0.5%	15.000	0.6%
Luxembourg	1.000	0.000	0.000	0.605	1.563	1.070	0.000	1.239	0.000	1.239	0.2%	5.477	0.2%	4.238	0.2%
Netherlands	33.667	41.151	46.415	29.664	50.805	39.765	39.463	2.500	8.500	50.463	7.9%	291.930	9.8%	280.930	11.2%
New Zealand	0.000	0.000	0.000	0.000	0.628	0.000	0.000	0.000	0.000	0.000	0.0%	0.628	0.0%	0.628	0.0%
Norway	6.818	29.630	9.913	22.544	23.215	30.980	18.004	0.000	10.596	28.599	4.5%	151.700	5.1%	141.105	5.6%
Poland	0.000	0.000	0.000	0.000	0.290	0.270	0.000	0.000	0.000	0.000	0.0%	0.560	0.0%	0.560	0.0%
Portugal	0.000	0.457	0.725	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	1.182	0.0%	1.182	0.0%
Russian Federation	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.000	2.000	0.3%	2.000	0.1%	0.000	0.0%
Saudi Arabia	10.000	5.000	5.000	0.000	5.000	0.000	0.000	0.000	0.000	0.000	0.0%	25.000	0.8%	25.000	1.0%
Spain	0.000	0.000	0.000	0.000	0.000	22.038	0.000	0.000	0.000	0.000	0.0%	22.038	0.7%	22.038	0.9%
Sweden	3.103	5.982	25.905	12.839	14.680	20.178	0.000	22.285	0.000	22.285	3.5%	104.971	3.5%	82.686	3.3%
Switzerland	0.673	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	0.673	0.0%	0.673	0.0%
Turkey	0.500	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	0.500	0.0%	0.500	0.0%
UNDP	0.000	2.411	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	2.411	0.1%	2.411	0.1%
United Kingdom	15.079	47.096	103.062	131.473	128.487	151.052	44.128	23.360	116.997	184.485	28.9%	760.733	25.5%	620.376	24.7%
United States	38.000	20.000	89.591	62.000	73.900	0.000	52.500	13.000	95.000	160.500	25.1%	443.991	14.9%	335.991	13.4%
TOTAL	184.768	286.461	380.368	404.050	453.921	634.803	169.810	101.100	367.746	638.656	100.0%	2983.026	100.0%	2514.180	100.0%

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 to US dollars.

Table 3 - ARTF Commitments & DisbursementsAs of: June 20, 2008
(US\$ million).

	Comm SY1381 Year End (a)	Disbursed SY1381 Year End	Comm SY1382 Year End (b)	Disbursed SY1382 Year End	Comm SY1383 Year End (c)	Disbursed SY1383 Year End	Comm SY1384 Year End (c)	Disbursed SY1384 Year End	Commited SY1385 Year End (d)	Disbursed SY1385 Year End	Comm SY1386 Year End (e)	Disbursed SY1386 Year End	Comm YTD SY1387 (f)	Disbursed YTD SY1387	SY1381-87 Total Committed (g)	20-Jun-08 Total Disbursed (h)	Last Month Disbursed	Available (g) - (h)	Disb. Rate (h) / (g)
TF050577 - Recurrent & Capital Costs Component																			
Wages		40.953		145.769		179.321		174.213		216.199		203.000		0.000		959.456	0.000		-
O&M		13.655		51.164		55.277		79.035		84.015		87.549		0.000		370.695	0.000		-
Debt Service, IMF		0.767		0.000		0.000		0.000		0.000		0.000		0.000		0.767	0.000		-
Debt Service, IDA		2.770		3.870		0.000		0.000		0.000		0.000		0.000		6.640	0.000		-
Debt Service, ADB		0.000		0.557		0.000		0.000		0.000		0.000		0.000		0.557	0.000		-
Bulk Contracts		1.067		12.782		0.557		0.000		0.000		0.000		0.000		14.405	0.000		-
Disbursements(A)		59.212		214.144		235.155		253.248		300.213		290.550		0.000		1352.521	0.000		
Special Account(Opening) Balance (B)		0.000		51.500		50.603		50.000		50.000		50.000		50.000		50.000	50.000		
Net Disbursements(Incl. Advances & Adjustments) (C)	155.000	110.712	195.000	213.246	258.000	234.553	280.000	253.248	299.000	300.213	286.000	290.550	0.000	0.000	1473.000	1402.521	0.000	70.479	95%
Updated Special Account Balance *		51.500		50.603		50.000		50.000		50.000		50.000		50.000		50.000	50.000		
TF050578 - Monitoring Agent [2]	2.000	0.668	0.777	1.407	2.311	2.641	4.640	2.158	7.001	2.534	3.500	4.798	0.139	0.843	20.229	15.049	0.765	5.180	74%
Closed Investment Projects [3]																			
TF050855 - UNDP Police Pr. 1 & 2	4.836	4.836	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4.836	4.836	0.000	0.000	100%
TF052081 - Microfinance for Poverty Reduction	0.000	0.000	1.000	0.358	0.000	0.335	0.000	0.306	0.000	0.000	0.000	0.000	0.000	0.000	1.000	1.000	0.000	0.000	100%
TF052366 - UNDP Police 3	0.000	0.000	16.800	16.800	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	16.800	16.800	0.000	0.000	100%
TF052475 - Telecom & Microwave Link	0.000	0.000	3.000	0.150	3.130	1.029	0.000	3.069	0.000	1.522	-0.119	0.241	0.000	0.000	6.011	6.011	0.000	0.000	100%
TF052482 - Kabul Roads and Drainage System	0.000	0.000	3.000	0.000	0.000	2.910	0.000	0.000	-0.172	-0.113	-0.031	0.000	0.000	0.000	2.797	2.797	0.000	0.000	100%
TF052735 - Strengthening Financial Capacity of the Government	0.000	0.000	5.100	2.046	0.000	0.255	0.000	1.380	-1.041	0.378	0.000	0.000	0.000	0.000	4.059	4.059	0.000	0.000	100%
TF053939 - National Solidarity Program	0.000	0.000	0.000	0.000	27.000	26.618	71.900	47.582	58.500	82.038	12.292	12.454	0.000	0.000	169.692	168.692	0.000	1.000	99%
Subtotal Closed Investment Projects [3]	4.836	4.836	28.900	19.354	30.130	31.147	71.900	52.337	57.287	83.825	12.142	12.695	0.000	0.000	205.195	204.195	0.000	1.000	100%
Current Investment Projects [4]																			
TF050970 - Technical Assistance Feasibility Studies	0.000	0.000	8.000	2.523	6.000	3.881	4.500	2.905	0.000	3.281	0.000	3.024	0.000	0.710	18.500	16.324	0.000	2.176	88%
TF050973 - National Emergency Employment Program	0.000	0.000	16.620	8.310	0.000	8.310	20.200	0.000	16.000	20.200	0.000	15.119	0.000	0.000	52.820	51.939	0.000	0.881	98%
TF052452 - Microfinance for Poverty Reduction	0.000	0.000	4.000	2.202	12.000	12.635	38.300	21.207	32.000	48.477	33.000	34.219	14.000	4.647	133.300	123.388	0.000	9.912	93%
TF052541 - Kabul Power Supply	0.000	0.000	7.435	0.000	0.000	2.901	0.000	1.508	0.000	1.402	0.000	1.029	0.000	0.000	7.435	6.840	0.000	0.595	92%
TF053940 - Civil Service Capacity Building	0.000	0.000	0.000	0.000	0.000	0.000	8.000	2.384	5.000	4.243	0.000	4.979	0.000	0.379	13.000	11.984	0.000	1.016	92%
TF054718 - Rehabilitation of Naghlu Hydropower Plant	0.000	0.000	0.000	0.000	20.000	0.000	0.000	0.000	0.000	0.160	0.000	0.071	0.000	0.000	20.000	0.232	0.000	19.768	1%
TF054729 - Urban Water Supply and Sanitation	0.000	0.000	0.000	0.000	20.000	0.000	21.000	3.628	0.000	3.475	0.000	11.506	0.000	0.969	41.000	19.579	0.598	21.421	48%
TF054730 - Education - EQUIP	0.000	0.000	0.000	0.000	0.000	0.000	5.000	0.000	0.000	0.490	27.000	6.512	12.000	2.130	44.000	9.132	0.000	34.868	21%
TF055447 - Rural Water Supply and Sanitation	0.000	0.000	0.000	0.000	0.000	0.000	5.000	0.000	0.000	0.590	0.000	0.633	0.000	0.000	5.000	1.223	0.000	3.777	24%
TF090077 - Management Capacity Program	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	10.000	0.000	0.000	0.000	10.000	0.000	0.000	10.000	0%
TF090205 - National Solidarity Program	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	171.500	136.325	20.000	0.856	191.500	137.181	0.856	54.319	72%
TF091120 - Kabul-Aybak/Mazar-e-Sharif Power Project	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	57.000	0.000	0.000	11.613	57.000	11.613	11.613	45.387	20%
TF091885 - Horticulture and Livestock Program	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	11.000	0.000	11.000	0.000	0.000	11.000	0%
TF092073 - Kabul Urban Reconstruction Project	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	5.600	0.000	5.600	0.000	0.000	5.600	0%
Subtotal Current Investment Projects [4]	0.000	0.000	36.055	13.035	58.000	27.727	102.000	31.632	53.000	82.320	298.500	213.418	62.600	21.303	610.155	389.434	13.067	220.721	64%
TOTAL COMMIT & DISB. [1+2+3+4]	161.836	116.217	260.732	247.042	348.441	296.067	458.540	339.375	416.288	468.892	600.142	521.461	62.739	22.146	2308.579	2011.199	13.832	297.380	87%

Note: * Includes US \$50 million Special Account advance plus adjustment for any timing difference.

**Table 4: Consolidated Sources and Uses of the ARTF
As of June 20, 2008**

	SY 1381 Total Actual	SY 1382 Total Actual	SY 1383 Total Actual	SY 1384 Total Actual	SY 1385 Total Actual	SY 1386 Total Actual	SY 1387 Total Actual	SY 1387 Total Forecast ^{2,3}
SOURCES OF FUNDS (A+B)								
A. Net Donors Contributions (A1-A2)	184.240	284.382	378.774	404.094	459.996	654.246	163.757	653.656
A.1. Donors Contributions	184.768	286.461	380.368	404.050	453.921	634.803	169.810	638.656
A.2. IDA fees minus Investment Income	0.527	2.079	1.594	-0.044	-6.076	-19.443	6.053	-15.000
B. Cash Carried-Overr (=D previous year)		119.524	155.966	238.070	302.789	293.893	426.679	426.679
USES OF FUNDS (C+D)								
C. Disbursements (C1+C2+C3+C4) ¹	64.717	247.940	296.670	339.375	468.892	521.461	22.146	580.060
C.1 Recurrent window - Disbursed by DAB	59.212	214.144	235.155	253.248	300.213	290.550	0.000	276.000
Wages	40.953	145.769	179.321	174.213	216.199	203.000	0.000	
O&M	13.655	51.164	55.277	79.035	84.015	87.549	0.000	
Other	4.604	17.210	0.557	0.000	0.000	0.000	0.000	
C.2. Investment window	0.000	15.589	58.873	83.969	166.145	226.113	21.303	300.000
C.3. Pass-through to LOTFA (UNDP Police)	4.836	16.800	0.000	0.000	0.000	0.000	0.000	0.000
C.4. Fees to monitoring agent	0.668	1.407	2.641	2.158	2.534	4.798	0.843	4.060
D. Cash Balance (end-of-period) (A+B-C=D1+D2)	119.524	155.966	238.070	302.789	293.893	426.679	568.290	500.275
D.1. Committed Cash Balance:	97.120	109.913	161.684	280.849	228.244	306.926	347.518	537.963
to recurrent window special account	51.500	50.603	50.000	50.000	50.000	50.000	50.000	50.000
to recurrent window Trust Fund	44.288	26.042	49.489	76.242	75.029	70.479	70.479	70.000
undisbursed investment window balance	0.000	32.566	61.822	151.753	95.895	180.424	221.721	416.000
to Monitoring Agent	1.332	0.702	0.372	2.854	7.321	6.023	5.318	1.963
D.2. Unallocated Cash Balance	22.404	46.053	76.386	21.940	65.649	119.753	220.772	-37.688

(1) Advance disbursements reported following standard World Bank practice.

(2) Assumes all pledges collected, and estimates of future allocations and disbursements are met.

(3) SY1387 forecasted balance (previous balance + new commitments - disbursements) is based on projected contributions, commitments and disbursements.

Table 2a - Net unallocated cash balance		Remarks
D.2. Unallocated Cash Balance	220.772	
D.3. Allocations approved by MC and pending for Transfer:	101.750	
National Justice Project	27.750	Grant agreement not signed
Strengthening Higher Education Program	5.000	Approved by MC in the June 17 th meeting. Grant agreement to be finalized.
Transfer to the Recurrent Cost Trust Fund	69.000	Approved by MC in the June 17 th meeting. Grant agreement to be finalized.
Net unallocated cash balance (D.2-D.3)	119.022	

