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Afghanistan Reconstruction Trust Fund

Quarterly report: March 21, 2010 to June 21, 2010



Prepared by the ARTF Administrator

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



Afghanistan Reconstruction Trust Fund

Cover photos: Sarobi dam and Kabul Power Supply project

CURRENCY EQUIVALENT
(Effective June 20, 2010)
Currency Unit = Afghani (AFN)
US\$ 1 = 46.50 AFN

GOVERNMENT'S FISCAL YEAR (SY1389)

Solar Year	Period
SY1381	March 21, 2002 – March 20, 2003
SY1382	March 21, 2003 – March 19, 2004
SY1383	March 20, 2004 – March 20, 2005
SY1384	March 21, 2005 – March 20, 2006
SY1385	March 21, 2006 – March 20, 2007
SY1386	March 21, 2007 – March 20, 2008
SY1387	March 20, 2008 – March 20, 2009
SY1388	March 21, 2009 – March 20, 2010
SY1389	March 21, 2010 – March 20, 2011

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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
GoA	Government of Afghanistan	O&M	Operations and Maintenance
IARCSC	Independent Administrative Reform and Civil Service Commission	PAM	Performance Assessment Matrix
IDA	International Development Association	PBSE	Pension-based Salary Expenditure
IMF	International Monetary Fund	PFEM	Public Finance and Expenditure Management
KfW	Kreditanstalt für Wiederaufbau	PFM	Public Financial Management
LEP	Lateral Entry Program	PPU	Procurement Policy Unit
MA	Monitoring Agent	PRR	Priority Reform and Restructuring
MC	Management Committee	SOE	Statement of Expenditures
MCP	Management Capacity Program	SWAP	Sector wide approach
MDG	Millennium Development Goal	TAFS	Technical Assistance and Feasibility Studies
MEW	Ministry of Energy and Water	TSA	Treasury Single Account
MFI	Microfinance Institution	UNAMA	United Nations Assistance Mission in Afghanistan
MISFA	Microfinance Investment and Support Facility for Afghanistan	UNDP	United Nations Development Program
MoC	Ministry of Communication	UNOPS	United Nations Office for Project Services
MoE	Ministry of Education	USAID	United States Agency for International Development
		WB	World Bank

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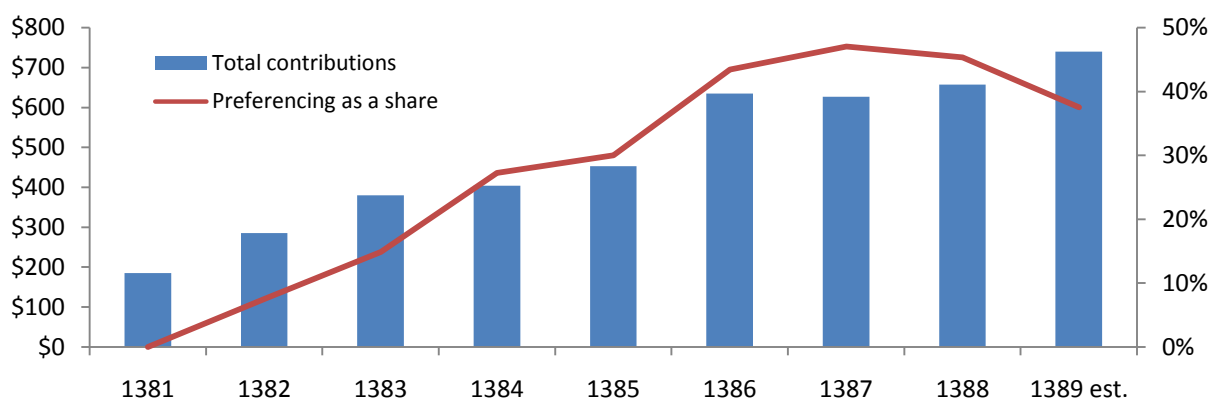
I. Q1 SY1389 – SUMMARY

Outlook for SY1389

Fourteen ARTF donors have together given a pledge of US\$740 million for the year, an increase of 13 percent on SY1388. As in previous years, the final figure will continue to evolve as aid budgets are finalized in donor capitals. Nevertheless the pledge is roughly consistent with the levels estimated through the ARTF Financing Strategy process. The positive trend is driven mainly by a very substantial increase in the US pledge – a pledge that remains dependent on congressional approval.

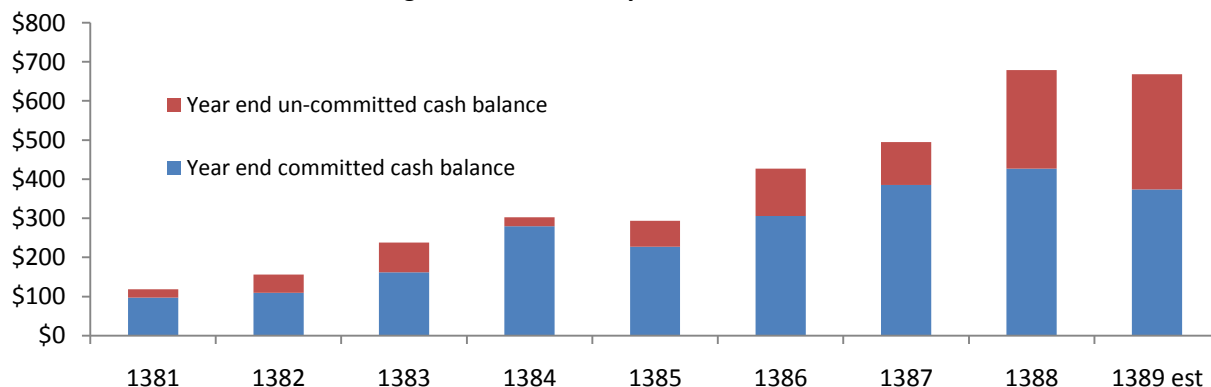
Of the total pledge of US\$740 million, only 38 percent is currently preferenced and of that preference, three quarters is for the National Solidarity Program (NSP). This continues the recent trend of consolidation of preferencing around the NSP, and also a welcome decline in the ratio of preferencing to “core” ARTF support (see figure 1). By the end of the quarter, the ARTF realized pledges worth US\$87 million in cash contributions.

Figure 1: ARTF contributions SY1381-SY1388 (US\$m)



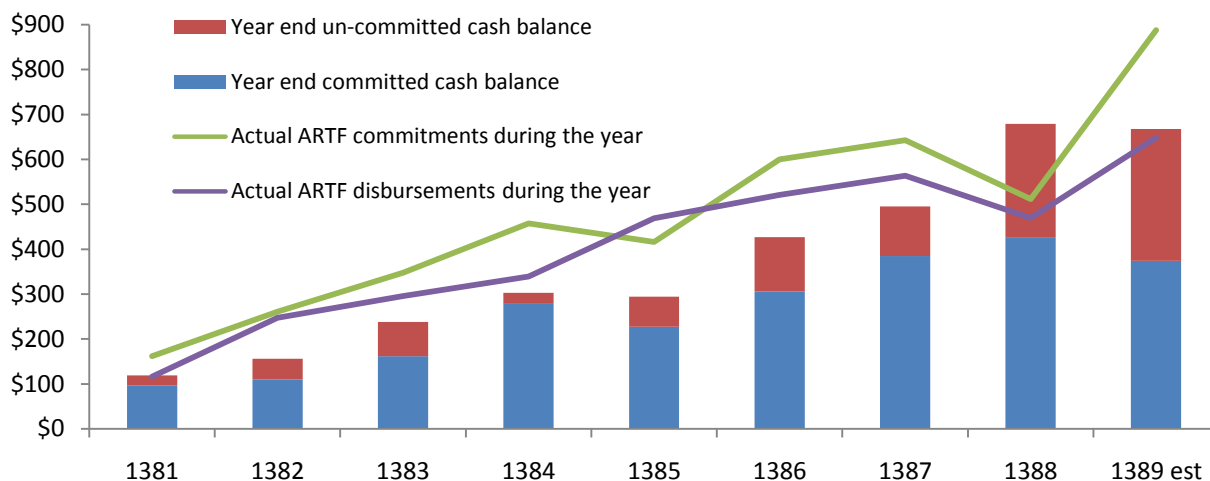
Cash flow has not constrained the ARTF’s financing this quarter: funds not committed to programs during SY1388 were carried over into SY1389. The ARTF opened the year with an uncommitted balance of US\$251 million which increased further to US\$294 million by the quarter end. Overall cash – both uncommitted cash and committed but undisbursed cash – amounts to US\$667 million as of June 21, 2010.

Figure 2: ARTF end of year cash balances



High levels of cash reflect the increasing levels of funding entering the ARTF every year. New contributions are committed during the year either to operating costs (the ARTF Recurrent Cost Window) or to investment projects (the ARTF Investment Window). Disbursements lag commitments given the multi-year nature of investment projects (regular World Bank projects can be 3-5 years in duration). The important thing is to ensure that funds paid in by donors are used productively i.e. invested in quality programs that disburse at a reasonable rate. Figure 3 highlights that the ARTF has been able to translate contributions into productive commitments at an increasing rate, up until 1388. In that year, delayed audits put a hold on new commitments for a long period, leading to a reduction in overall commitments and disbursements. In SY1389, the pipeline is strong and it is expected that both commitments and disbursements will pick up.

Figure 3: ARTF year-end cash balances in relation to ARTF commitments & disbursements



Financing Activities and Outlook

During the first quarter of SY1389 ARTF committed a total of US\$ 45 million to government development programs. Commitments included the first tranche of US\$22 million to a new project Strengthening Health Activities for the Rural Poor (SHARP) and US\$23 to the restructured Horticulture and Livestock Program (HLP). The SHARP program is one of the sources of financing for the national basic package of health services (BPHS). ARTF financing will support BPHS in 11 provinces, along with the development of a hospitals policy and the Johns Hopkins monitoring work (see Annex 1 for more details on the project activities).

In addition, the Management Committee approved the year's annual financing for EQUIP II (US\$85 million), and a grant of US\$1 million to support the Ministry of Agriculture to prepare the On-farm Water Management project. These grants were not yet entered into the system at the time of the quarter's end. During the second quarter, the Management Committee will consider financing for the National Solidarity Program's third phase as well as the new Rural Enterprise Development Program, also at the Ministry of Rural Rehabilitation and Development.

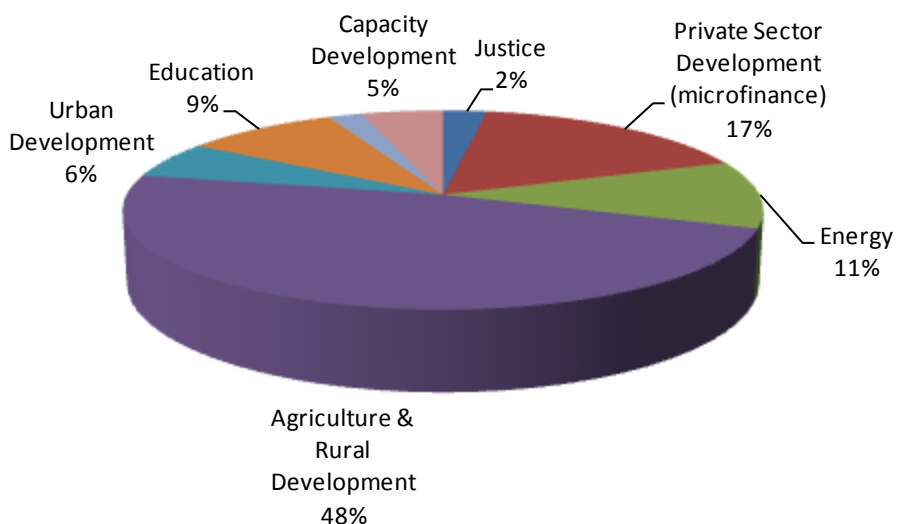
No recurrent cost support was approved by the Management Committee during the quarter because the final tranche of the previous year's support remained undisbursed at the start of the year. These US\$67 million of un-disbursed funds were disbursed within the first week of the year, to reimburse the government for eligible SY1388 expenditure within the SY1388 ceiling. The Management Committee has now approved a SY1389 recurrent cost "ceiling" of US\$ 288.8 million. The ceiling reflects the results of

the SY1389 ARTF Incentive Program, under which the government was able to meet all the benchmarks agreed upon by the Ministry of Finance and in addition exceeded the IMF's revenue target.

ARTF Investment Portfolio at a glance

As at June 21, 2010, active ARTF investments are worth a total US\$ 1,032 million. All ARTF investments are on the core development budget and are implemented by the government of Afghanistan in line with its priorities. The key sectors of ARTF investments are agriculture and rural development, energy and private sector development (microfinance), comprising around three quarters of the total commitment. Other key sectors are education, in which ARTF invests in basic, higher and vocational education, capacity development and the justice sector (see figure 4).

Figure 4: Active Investment Portfolio – by ANDS Sector



ARTF investments have grown substantially in the last three years thanks to large increases in donor contributions, driven especially by preferences. ARTF investments have been able to disburse effectively and the portfolio has disbursed US\$ 790.14 million, or 77 percent of its committed value.

Figure 5: ARTF Investment Window: Commitments and Disbursements



II. ARTF STEERING COMMITTEE: QUARTERLY MEETING

The ARTF Steering Committee of donors met in Kabul 13 June, 2010. The meeting was held in advance of the Kabul Conference in order to discuss the ARTF response to the key development issues emerging from the Kabul Process, in particular the priority programs and infrastructure financing. We include below the note on “bankable programs” as well as the minutes of the meeting.

ARTF and the “Bankable Programs” – Discussion Note

Introduction

- The ARTF is a partnership between donors and government for funding national development priorities, on-budget and in a coordinated manner.
- The ARTF Financing Strategy provides a vehicle for donors and government to elaborate three year funding priorities in the government’s four clusters: ARD, HD, Infrastructure and Governance.
- ARTF donors provided funding estimates for the three year period (SY1389-1391) of around US\$2.6 billion. Based on this envelope the strategy sets out a program of recurrent cost and incentive fund support as well as investments in development programs.
- Following its endorsement in London in January 2010, the strategy is now being implemented by the ARTF Management Committee.

ARTF & bankable programs

- The government has set out core priority programs totaling approximately US\$10 billion in three cluster areas. Although the ‘bankable programs’ go beyond what the ARTF is able to deliver, the ARTF is involved across all three clusters. Through the Financing Strategy, ARTF is envisaging some scale-up in areas where there is capacity and where funding is available.
- The core community-based national programs - including the National Solidarity Program, the National Rural Access Program and the Education Quality Improvement Program – are at the heart of both the ‘bankable programs’ and the ARTF Financing Strategy.
- There is considerable consistency between the ARTF portfolio and the new ‘bankable programs’. This is in areas like higher education, skills development, health, power distribution and agriculture.
- Annex 1 illustrates where ARTF donors are already supporting cluster areas.
- Provided agreement can be reached on an ARTF Infrastructure Window, or an infrastructure trust fund, donors will also be positioned, post-Kabul, to mobilize additional resources for critical infrastructure gaps.

Next steps

- Agree modality for funding of infrastructure.
- Where appropriate, and depending on the outcome of discussions at the Kabul Conference, these programs can be reviewed for their ability to absorb more funding.
- The World Bank, as Administrator of the fund, will work with the government to develop an ARTF Results Framework to ensure consistent reporting on development progress.

Annex 1 – Bankable Programs and the ARTF Program

Annex 1 illustrates the overlap of ongoing and planned projects under the ARTF with the 15 bankable programs.

GoA Cluster	Cluster Programs	ARTF Projects	Status/comments	
Agriculture & Rural Development	1. Water Management & Natural Resources Development	Emergency Irrigation Rehabilitation Program	National program in 34 provinces. Currently IDA-financed. In ARTF Financing Strategy for scale-up.	
		On-farm Water Management	ARTF project now underway in MAIL.	
		Water Resources Development TA	Water basin planning capacity building. Project underway in MEW.	
	2. Comprehensive Agriculture Production and Market Development	Horticulture & Livestock Program	Ongoing national program & in ARTF Financing Strategy	
Agriculture Inputs Supply Project		Under preparation for SY1389.		
Rural Enterprise Development		ARTF to initiate financing in SY1389.		
3. National Rural Access	National Rural Access Program	Core ARTF program. Financing Strategy envisages scale up.		
4. Strengthening Local Institutions	National Solidarity Program	Core ARTF program. Financing Strategy envisages scale up.		
Economic Growth & Infrastructure	5. Integrated Resource Corridors	ARTF Infrastructure Window	Window proposal under discussion with MoF and ADB	
	6. Extractive Industries	Natural Resources Development Program	Currently IDA-financed. ARTF to co-finance later in SY1389. Project delivers TA for MoM.	
		Power Systems Development Project	Ongoing ARTF program. Phase II additional financing expected SY1389	
	7. National Energy Supply	Kabul – Aybak – Mazar Power	Ongoing ARTF program.	
		8. Urban Planning	Kabul Urban Reconstruction (KURP)	Ongoing ARTF program.
			Kabul Urban Roads (KURIP)	Ongoing ARTF program. Additional financing expected SY1389.
9. Integrated trade and SME Support	Urban Water Supply & Sanitation	Ongoing ARTF & IDA program. Recently restructured.		
	Growth Poles Project	Under preparation with IDA financing. ARTF to scale up to other cities if successful.		
10. E-Afghanistan	ICT Project	Under preparation for ARTF & IDA. Fiber optic ring-road & e-governance		

Human Resource Development	11. Skills Development	National Skills Development (NIMA)	Currently financing National Institute for Management & Administration
	12. Education for all	EQUIP	Core ARTF program. Financing Strategy envisages further scale up.
	13. Gender Equity	EQUIP	EQUIP II contains scholarships for girls
	14. Human Resources for Health	Basic Package of Health (BPHS/EPHS)	ARTF health financing recently started. EPHS under preparation for financing
	15. Expanding Higher Education	SHEP	Ongoing ARTF program. Additional financing expected SY1389.

Summary of Discussions ARTF Donor Meeting Kabul, 13 June 2010

The quarterly meeting of the ARTF donor steering committee was held in Kabul on June 13, 2010, attended by representatives of the Afghan government and 16 donor countries (see attendees below). Opening the meeting, Nick Krafft, World Bank Country Director, noted linkages between the day's agenda and the discussions on June 12 at the Standing Committee at which the government had presented the 'bankable programs' in the three cluster areas. He noted that the ARTF Financing Strategy offered the means for significant donor alignment with the new priorities of the Afghan government.

The Minister of Finance, Omar Zakhiwahi, welcomed the proposal on the table to bring the Ministry of Finance (MoF) fully into the decision-making structure of the ARTF: the Management Committee (MC). He noted that given the Kabul conference's focus on "on-budget" donor assistance, the ARTF would continue to grow in both size and influence – strengthening the case for MoF representation on the MC.

Turning to the bankable programs, he emphasized that the government was not only focused on funding and programming but also on reforms – highlighting in particular the Ministry of Mines where reform was urgent, but would also yield significant returns. Reforms were also underway in the ministries of agriculture, energy, health, education, higher education, public works and transport. He therefore welcomed the ARTF-sponsored Incentive Program, as a means to support his reform agenda across government. This year's round – concluded days before the meeting – had established an ambitious set of reform targets to be implemented in SY1389.

The Administrator briefed donors on ARTF highlights from SY1388 and Q1 SY1389. Introducing the bankable program discussion, the Administrator noted that the ARTF Financing Strategy overlapped significantly with the cluster strategies. Implementing the Financing Strategy would therefore help ARTF donors to align post-Kabul. ARTF donors and the World Bank would review the Financing Strategy in light of discussions and decisions taken at the Kabul conference.

PFM, corruption and the role of the Monitoring Agent. Donors raised concerns about the risk of corruption in the core budget, noting the secular reduction in the eligibility ratio. Some queried whether the role of the ARTF Monitoring Agent (MA) could be expanded to incorporate a review of the development budget expenditures. It was also proposed that the MA present directly to the donors. Ministry of Finance officials stressed that donor funds on budget did not face a high risk of corruption; on the other hand, other areas such as land and property rights cases and revenue collection did. The Minister of Finance noted that the special procurement commission (SPC) and the central procurement agency ARDS ensured the strong review and oversight of public procurement. He also noted that internal audits would now be initiated in the key spending ministries.

World Bank officials clarified the roles and responsibilities of the ARTF Monitoring Agent and proposed a separate donor meeting to discuss the possibility of the MA undertaking a wider scope of activities.

ARTF Financing Strategy. Donors welcomed the useful discussion of the intersection between the Financing Strategy and the bankable programs. However, some encouraged the ARTF to review carefully where there was a possibility to scale up ongoing activities quickly, such as in the areas of skills development and public sector reform. With regards the latter, the donors sought a harmonized approach between the Civilian Technical Assistance Program (CTAP) of the MoF and the Management Capacity Program of the Civil Service Commission (IARCSC). MoF agreed that scale-up in ongoing programs such as skills development should be explored post-Kabul where possible. MoF also stressed that, while CTAP and MCP were “different beasts”, synergies were already being pursued between them.

ARTF IP – lessons learning. Donors congratulated the government on the conclusion of benchmark negotiations in the third round of the ARTF IP program. Donors proposed a lessons-learning exercise or strategic review of the IP process. The MoF welcomed the proposal noting that a six month implementation period for meeting the benchmarks was too short for ambitious reforms. Others suggested looking at how multi-annual indicative benchmarking may be incorporated into the design of the program. The Minister stressed the importance of an Afghan-led process to ensure the most strategic and pressing reforms were prioritized in the program.

Budget execution and fiscal sustainability. Donors queried why the development budget execution rate had declined SY1388 to 40 percent. They also sought an update on the fiscal sustainability outlook. MoF elaborated on the reasons for low development spending in SY1388: (i) the first two months were slow given the approval of allotments became temporarily the responsibility of the Ministry of Economy; (ii) the requirement to close the accounts of the previous year before any expenditure was authorized in the next (a requirement that no longer applies in SY1389); (iii) the security and political situation in SY1388 meant many contracts were stalled; (iv) the weak capacity in line ministries as well as in the implementers/private sector contractors and (v) unpredictable donor funding. In SY1389 the MoF would review financial management and procurement capacities in the key line ministries (those responsible for 80 percent of the government’s annual development spending). In addition, CTAP would be mobilized to support line ministries in this effort.

With regards fiscal sustainability, the Minister warned that last year’s strong performance may not be repeated given the appreciation of the Afghani (Af) against the dollar. The appreciation was expected to hurt both revenues and expenditures, since revenue is calculated in dollars before being translated into Afs. More broadly, MoF stressed that more investment in private sector development, including in key economic infrastructure such as mining, roads and power was a pre-requisite for long-term fiscal sustainability in Afghanistan.

MoF and the MC. The donors endorsed the proposal to bring the government into the MC, noting that this would build much stronger ownership in the government of the ARTF investments.

ARTF & Infrastructure. Donors and government welcomed the discussion on the infrastructure financing options, which included both the ARTF Infrastructure Window as well as a separate trust fund to be established by the ADB. Some donors expressed their support for the coherence and streamlining offered by an ARTF Window, noting its flexibility as well as the potential to raise flexible funds from donors that would not otherwise support a separate trust fund. The Minister of Finance recognized both pros and cons of the proposal and said he would explore the options in Japan on the upcoming high level visit before meeting with the key donors in Kabul. He noted that a decision would be taken before the Kabul Conference.

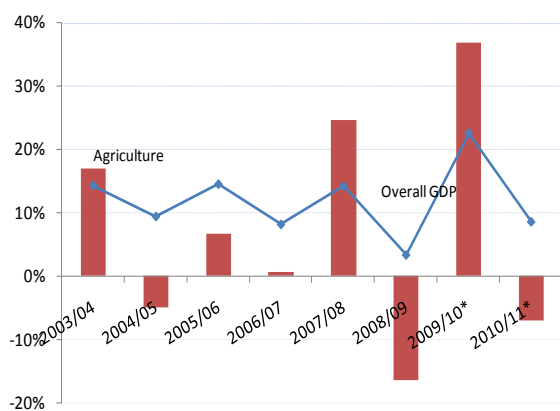
NSP III. The NSP team briefed donors on the key design aspects of NSP III. Discussion focused on NSP’s high risk strategy, given the importance of reaching all communities in Afghanistan. The Minister of Finance particularly welcomed the focus on CDC and sub-project sustainability including CDC’s ability to cluster and deliver a broader range of services at the community level.

In closing, Mr. Krafft and the Minister thanked the group for the constructive discussions. Follow up meetings were agreed to (a) review options for infrastructure financing, (b) to learn the lessons of the IP process, (c) to discuss the work of the MA, and (d) to discuss the NSP’s high risk strategy in greater detail.

III. ARTF & THE AFGHAN ECONOMY

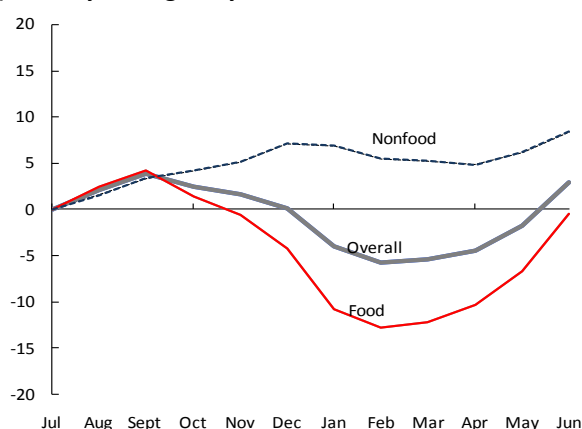
Afghanistan has benefitted from strong economic growth and solid macro-management that has maintained low inflation. The country recovered from the drought in 2008/09 that, coupled with higher donor spending, led to record high real GDP growth at 22.5 percent for 2009/10, despite the worsening security situation. (Figure 1) The agriculture output alone grew by 53 percent as a result of this year's good harvest. Through sound monetary policy, the Central Bank managed to contain non-food inflation low from 9 percent in 2008/09 to around 5 percent, while experiencing deflationary prices (at -12 percent) that reversed in the first quarter of 2010/11. (Figure 2) Further, a combination of higher donor inflows, incoming capital for the Parliamentary elections in September, and a weaker US dollar, led to an appreciation of the nominal exchange rate over the second half of the year (from 50 to 46 Afgs per dollar). Yet, the real exchange rate remained within its 5-year average.

Figure 1. Real GDP Growth 2003/04 – 2010/11

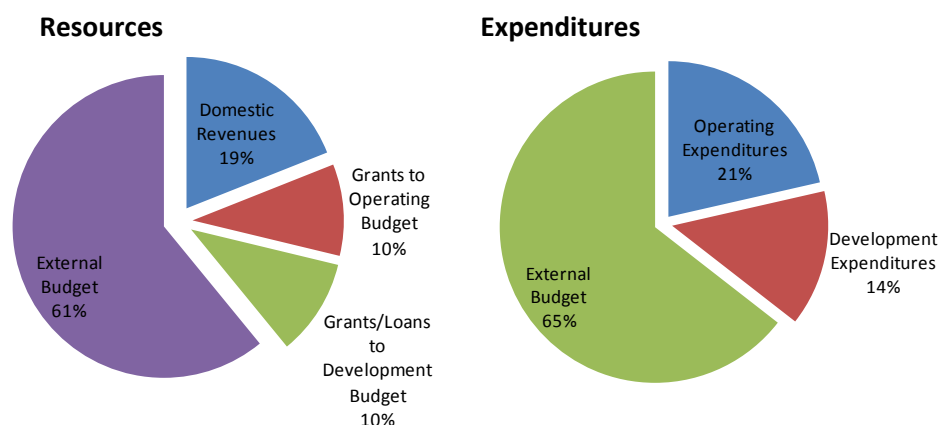


Source: CSO, *World Bank estimates

Figure 2. Kabul Consumer Price Index (monthly average July-2009-Jun 2010)



The National Budget is the main mechanism for translating the Afghanistan National Development Strategy (ANDS) into funding and implementation. The National Budget consists of a Core and an External Budget (Figure 3), of which the “Core Budget” tracks those funds that flow through the government’s treasury system and includes operating and development expenditures. Thus, the External Budget includes expenditures disbursed directly by donors outside the treasury system. According to the budget document, the External Budget represents about 65 to 75 percent of all public expenditures and is prone to under-reporting. All ARTF investments utilize the treasury system and are reflected in the Core Budget.

Figure 3: Structure of the National Budget- SY1388 Preliminary Actual

Source: Ministry of Finance

The public finances received a boost from above-target revenue collection in SY1388. Afghanistan's domestic revenues accounted for 8.9 percent of GDP (at 63.6 billion Afs, US\$1,216¹ million) surpassing the government's 7.4 percent target. This was driven by improvements on tax administration and particularly from the introduction of the mandatory pre-payment of 2 percent Business Receipts Tax (BRT) at border crossings, which led to higher sales tax collection (mainly from small and mid-size traders). In addition, customs revenue's increased significantly by 53 percent, a trend that will continue in the upcoming years as the ASYCUDA system becomes operational at other border crossings with Iran.²

The overall core budget saw an increase of 15 percent in 2009/10 that was driven by higher operating expenditures. Higher spending on salaries led to a 26 percent increase in core operating budget spending at 87.2 billion Afs (US\$1,745 million). Thus, the share towards wages increased from 69 to 74 percent last year with pressures from the security and education sectors. In the 2010/11 budget, core operating expenditures account for 116.27 billion Afs, a 33 percent increase over 2009/10 and estimated at 14 percent of GDP. This component will continue to grow in the upcoming years, as the government moves towards higher security spending, makes progress rolling out the pay & grading reform for the civil service, and faces greater recurrent obligations arising from external budget investments.

The core development budget's execution rate reduced to 37 percent. While the Mid-Year Budget Review registered an increase in development expenditures, only 37 percent or 44 billion (US\$880 million) out of the budgeted 119 billion, were disbursed. This reflects a decrease from the 43 percent achieved in 2008/09 and presents a major challenge to the government's goal: "*channeling at least 50 percent of the development aid through the Afghan core budget within two years.*" The causes for the low development budget execution in Afghanistan are a combination of factors: lack of knowledge of procurement procedures (particularly the Procurement Law 2008), unrealistic budget formulation, poor predictability and late disbursement of donor funds, insecurity that makes project implementation difficult, and a significant carry-over of funds from the past year's development budget.

While the fiscal sustainability ratio increased to 72 percent, measured as the share of domestic revenues to operating expenditures, fiscal sustainability remains an issue. Compared to the 38

¹ Based on an AFN50/US\$1 exchange rate

² Both of these policy measures were included as benchmarks in the SY1389 ARTF Incentive Program.

percent sustainability ratio in 2002/03, Afghanistan is in a better fiscal position today. Still, the government is heavily dependent on foreign aid for financing its budget, particularly through the ARTF. Overall higher spending in 2010/11, particularly on the core operating budget, will most likely lead to a decline in the fiscal sustainability ratio in the coming year, which means the government will continue to rely on donors in the medium term to covers its operating budget balance.

Table 1: ARTF and the Core Budget: SY1381-SY1388 (US\$ million)

	SY1381 2002/3	SY1382 2003/4	SY1383 2004/5	SY1384 2005/6	SY1385 2006/7	SY1386 2007/8	SY1387 2008/9	SY1388 2009/10	SY1389 2010/11
	Actual							Pre. Act	Budget
A. Domestic Revenues	131	208	268	416	578	674	814	1,272	1,466
B. Expenditures	346	613	965	1,091	1,570	1,986	2,248	2,659	4,443
Operating Expenditures	346	448	561	643	865	1,019	1,358	1,745	2,397
Wage and Salaries	n/a	282	373	411	530	671	940	1,285	1,814
Goods and Services	n/a	87	111	143	248	254	314	337	340
Capital Expenditure	n/a	61	41	48	40	28	35	0	42
Other	n/a	18	35	42	47	66	69	123	201
Development Expenditures	0	165	404	448	705	967	891	914	2,046
C. Fiscal Balance (before grants)	-215	-406	-697	-675	-992	-1,312	-1,434	-1,387	-2,977
D. Donor Grants	208	293	487	725	715	694	1,845	1,346	2,934
ARTF	59	230	294	337	465	517	576	468	509
Recurrent	59	214	235	253	299	291	276	221	225
Investment	0	16	59	84	166	226	300	246	283
Other	149	63	193	388	250	177	1,269	878	2,426
E. Fiscal Balance (after grants)	-7	-113	-210	50	-277	-618	411	-41	-42
F. Financing	7	113	210	-50	277	618	n.a	n.a	n.a
External Financing (Net)	n/a	100	309	107	27	169	n.a	n.a	n.a
Sale of Non-Financial Assets	n/a			56	40	1	n.a	n.a	n.a
Domestic Financing (net, including adjustment)	n/a	13	-99	-213	210	448	n.a	n.a	n.a
Memorandum Items									
External Budget	1,165	1,612	2,322	4,219	3,618	9,282	4,101	4,083	n.a
GDP	4,007	4,436	5,409	6,484	7,725	9,662	11,713	13,439	15,876
Exchange Rates	45	49	48	50	50	50	51	50	48.5
Domestic Revenues (% GDP)	3.3%	4.7%	5.0%	6.4%	7.5%	7.0%	6.9%	9.5%	9.2%
Expenditures (% GDP)	8.6%	13.8%	17.8%	16.8%	20.3%	20.6%	19.2%	19.8%	28.0%
Fiscal Deficit (before grants, % GDP)	-5.4%	-9.1%	-12.9%	-10.4%	-12.8%	-13.6%	-12.2%	-10.3%	-18.8%

Note: 1. The exchange rate for the SY1389 by the government (and here) is AFN48.50 per US\$2. The planned ARTF investment and recurrent window disbursements for the current year, SY1389) are based on the GoA budget and may be different from ARTF/WB allocations. Source: Ministry of Finance, World Bank, IMF

The SY1389 budget (2010/11) was sent to the Parliament (Upper House) on February, 2010, 4 days prior to what the PFM law requires, but was approved one month late by the Lower House on April 24. The Upper House approved the budget on 14 March, but the Lower House was delayed and finally approved it on April 24, 2010. Over a month of the new fiscal year had passed, before the government had an approved budget.

IV. ARTF Performance Assessment Matrix (PAM) - SY1388

The ARTF Performance Assessment Matrix is intended to provide a broad-based (but not exhaustive) assessment of the effectiveness at the centre of government by tracking trends in government and donor performance across selected areas. It serves as a results framework for the ARTF recurrent cost window, which supports core government operations. The PAM provides a platform for donor/government dialogue on core policy areas. It is therefore a useful complement to the ARTF Incentive Program, which is intended to put in place financial incentives for securing *forward-looking* policy & reform progress.

This cover note highlights key areas of progress as well as some of the key challenges based on the full PAM matrix, which is attached in full below.

1. Public Financial Management

Afghanistan's public finances received a boost from above-target revenue collection in SY1388 (2009/10) that improved the country's fiscal position, but low core development budget execution rate and fiscal sustainability remain issues.

Revenue collection at 8.9 percent of GDP was above target and improved Afghanistan's fiscal position.

The GOA raised Afs 63.6 billion (US\$1,272 million) in SY1388 and surpassed the revised revenue target by 20 percent, which stood at Afs 52.5 billion and 7.4 percent of GDP. Higher domestic revenue collection improved the fiscal sustainability indicator for 2009/10 (domestic revenues as a percentage of operating expenditure) that stood at 72 percent and a significant increase over the 60 percent ratio reflected in 2008/09. However, fiscal sustainability is expected to face pressure in future given higher operating (particularly security) expenditures, and also as the pay & grading reform rolls out across the civil service. In addition, the External Budget contains potential recurrent cost implications, as yet unrealized.

The core development budget's execution rate reduced to 39 percent in SY1388. While the Mid-Year Budget Review registered an increase in development expenditures, only 39 percent or 46 billion (US\$926 million) out of the budgeted 119 billion, were disbursed. This is a decrease from the 43 percent disbursement rate achieved in 2008/09 and from the 54 percent in SY1386. A combination of factors are driving the lower development budget execution rate in Afghanistan: the lack of knowledge of procurement procedures (particularly the Procurement Law 2008), unrealistic budget formulation, poor predictability and late disbursement of donor funds, insecurity that makes project implementation difficult, and a significant carry-over of funds from the past year's development budget.

On budget formulation, the Parliament approved the SY1389 budget a month within the new fiscal year. The SY1389 budget was sent to the Parliament (Upper House) in February 2010, 4 days prior to the deadline established in the PFM law. However, late approval by the Lower House (April 24) meant that a month of the new fiscal year passed in the absence of an approved budget. Program budgeting has seen some take-up: the number of ministries under pilot program budgeting increased from 7 in SY1387 to 14 in SY1388. All ministries prepared their SY1389 budgets based on program budgeting, and it is set to replace the traditional budgeting in SY1390. The impact of this is yet to be ascertained.

On procurement, there have been major improvements to preparation of procurement plans as required by the Law. Procurement Controllers are now provided across line ministries which resulted in a major increase in the numbers of ministries providing a ministry procurement plan within one month

of the passage of the budget (from 3 in SY1387 to 24 in SY1388 and 37 in SY1389) as well as the monitoring of those plans.

Progress continues in the transfer of salary payments through electronic funds transfer. With the expansion of commercial banking in provinces, now over half of those on the public sector wage bill receive their salaries through EFT. Nevertheless, the effectiveness of the operation will depend also on the effectiveness of the commercial banks that act as agents.

Table 1: Selected PFM Indicators

Indicators	SY1384 Actual	SY1385 Actual	SY1386 Actual	SY1387 Actual	SY1388 Actual
Revenue to GDP ratio (%)	6.4	7.5	7.0	6.9	8.9
Revenue to operating expenditure ratio (%)	65	67	66	60	72
Budget execution ratio (core development)	41	54	54	43	39 1/
% of staff with individual salary payments	10	23	30	30	56

1/ MoF figure is 47% as US\$367 million was excluded from MYR budget

Source: World Bank Staff

2. Aid Effectiveness

Aid effectiveness is best measured through the periodic Paris Declaration reviews. Nevertheless, some indication can be gleaned by looking at the behavior of donors to the ARTF itself. One positive indicator is the declining level of preferencing and a rising share of core ‘un-preferenced’ support to the ARTF. In SY1389, un-preferenced support is projected to increase substantially, partly as a response to the commitments made at the Kabul Conference to ensure government leadership of the development agenda. National ownership also increased in SY1388 thanks to increased revenue collection, which resulted in a larger operating budget ‘surplus’ that could be used to fund the government’s own development priorities.

Table 2: Selected Aid Effectiveness Indicators

Indicators	SY1384 Actual	SY1385 Actual	SY1386 Actual	SY1387 Actual	SY1388 Actual	SY1389 Pro
% of ARTF estimated recurrent need for FY committed or pledged at start of FY	25	60	70	101	110	160
% of un-preferenced pledge (ARTF)	73	70	53	51	54	66
Discretionary resources as share of total core development budget (%)	37	33	21	0	21	NA

3. Public Administration Reforms (PAR)

The situation in PAR reflects the complexity and challenge of the reform – but implementation of this core reform is now underway.

- **Size and Cost of the Civil Service:** Mainly as a result of an increase in teacher salaries, the cost of the civil service has grown significantly by 34 percent between SY1387 and 1388. Over the

coming four years the roll out of the Pay and Grading reform (P&G) will put further pressure on wage bill expenditures. It is critical for Ministry of Finance and the Civil Service Commission to actively manage these pressures to ensure P&G implementation stays within the parameters set in the Medium Term Fiscal Framework (MTFF) and is adjusted should the overall fiscal framework change; for example should shortfalls in revenues occur.

- **Implementation of P&G:** Progress in this area has picked up considerably. A total of about 248,000 positions (Tashkeel) have now been re-graded in 15 ministries and agencies, and some 96,000 appointments made to these new positions. Over 80,000 civil servants are now receiving salaries at the new P&G scale.

4. Education & Health

Monitoring trends in the education sector continues to focus on inputs and outputs. At this level, there is real progress, with the numbers of kids in school increasing year on year, and the increasing availability of teacher trainings being provided by the Ministry of Education. With its commitment to community-based models of school management, the MoE is now reporting 10,172 school management committees as registered country wide. Female teachers have increased to 32 percent of the total in SY1388, in line with the government's targets. Nevertheless, only 27 percent of incoming teachers have the minimum level of qualifications.

Monitoring in the health sector is incomplete this year: the Johns Hopkins scorecard results are not yet in, and required surveys on coverage of preventative and reproductive services will be finalized by the end of 2010. Coverage of BPHS remains at 85 percent of all districts, the gap reflecting the rural bias of BPHS. While coverage is high, it should be noted that actual access remains subject to local topographic or security conditions. The health sector is now considering a greater emphasis on urban areas, initially Kabul. In addition, Kabul hospitals will become increasingly a focus of reforms under the EPHS.

ATTACHMENT 1: AFGHANISTAN PERFORMANCE ASSESSMENT MATRIX
Public Financial Management (1/3)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY1384-87), Preliminary Actual (SY88) and Projection (SY89)					
				SY1384 (Baseline)	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Actual)	SY1388 (Actual)	SY1389 (Pro.)
Moving Toward Fiscal Sustainability	Revenue mobilization	Revenues cover operating costs	Revenue to GDP ratio	6.4%	7.5%	7.0%	6.9%	8.9%	9.1%
			Revenue to operating expenditure ratio	65%	67%	66%	60%	72%	61%
	Medium-Term Fiscal Framework	Progress toward fiscal sustainability on expenditure	Operating expenditures to GDP ratio	10%	11%	11%	12%	12%	14%
Improving Service Delivery: PFM Aspects	Spending mix for service delivery	Appropriate share of non-salary spending	% of non-salary in total civilian recurrent expenditure	35%	39%	35%	38%	28%	n/a
			% of non-salary spent in provinces	25%	25%	27%	30%	35%	n/a
	Linkage between budget & strategy	Budget reflects ANDS priorities	No. of costed sector strategies, business plans	-	-	3	All (excl. security)	All (excl. security)	n/a
Improving Public Financial Management Performance and Combating Corruption	Budget Formulation	Timely and effective budget process	New budget schedule adhered to	Delay in budget approval	Delay in budget approval	Delay in budget approval	Budget approved on time	Budget approved on time	n/a
			Participation in program budgeting	-	-	3 ministries	7 ministries	14 ministries	All
	Budget Execution	Performance in relation to annual budget targets	Execution ratio (operating)	96%	98%	93%	93.5%	90%	n/a
			Execution ratio (development)	41%	54%	54%	43%	39%	n/a

Public Financial Management (2/3)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY1384-87), Preliminary Actual (SY88) and Projection (SY89)					
				SY1384 (Baseline)	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Actual)	SY1388 (Actual)	SY1389 (Pro.)
Improving Public Financial Management Performance and Combating Corruption (continued)	Procurement	Implement new Procurement Law	No. of Ministries that prepare procurement plans within a month of budget	-	regulations approved and gazetted	3 ministries	3	24	37
	Control Framework	Improving fiduciary standards	ARTF eligibility ratio (salary)	84%	93%	89%	88%	92% Pending final monitoring	n/a
			ARTF eligibility ratio (non-salary)	73%	64 %	62%	15% non-salary eligibility ³	75% Pending final monitoring	n/a
			% of staff with Individual Salary Payment	10%	23%	30%	30% ⁴	56%	n/a
	Legal framework against corruption	Establish an effective legal framework against corruption	The existence of relevant legislation and reports from monitoring mechanism	n/a	n/a	UN convention against corruption ratified	National legislation adapted	Presidential decree on HOO & MEC	MEC in place
External Accountability, Audit, Scrutiny	Timely availability of Audited Financial statements and review by Parliament	Month financial statement & audit for previous year' review by Parliament	Statement: July Audit: Dec	Statement: July Audit: N/A	Statement: July Audit: Sep	Statement: July Audit: Sep	Statement: July Audit: Pending	n/a	

³ Note that this reflects the fact that due to the change in procurement law in SY1387, all non-salary expenditure was considered ineligible for ARTF reimbursement and was not reimbursed. The exceptions being pension payments, reflected in this number and first quarter O&M expenditures. The law was amended in the last quarter of 1387 and non-salary expenditures were considered eligible in 1388. The O&M eligibility calculated on the basis of compliance with the law and other eligibility criteria was 53.3%.

⁴ Note that VPP till FY1386 was based on the total coverage of salary payments using banking (i.e. sum of DAB and Commercial Banks) channels, which included salary disbursements by DAB cashiers. However, starting in FY1387, VPP is only based on salary payments using commercial banks.

Public Financial Management (3/3)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY1384-87), Preliminary Actual (SY88) and Projection (SY89)					
				SY1384 (Baseline)	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Actual)	SY1388 (Actual)	SY1389 (Pro.)
Capacity Development and Reform of PFM Institutions	MoF reform strategy	Implement MoF reform strategy, including at provincial level	No. of Mustufiats reformed	None	Reform plan developed (July 2006)	2 Mustufiats reformed	7 Mustufiats reformed	100% reformed	Maintain
	PFM reform & capacity in line ministries	Effective financial management capacity in line ministries	No. of ministries with effective Financial Management/ Budget Units	TBD	TBD	0	0 ⁵	18	18

⁵ Criteria is PRR or P&G and AFMIS rolled-out; since all LM HQ were connected to AFMIS in 1388 then the 13 PRR LM and 5 P&G LM are considered completed. PRR is stopped but all LM should have P&G by end of 1390.

Aid Effectiveness and Mutual Accountability (1/1)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY1384-87), Preliminary Actual (SY88) and Projection (SY89)					
				SY1384 (Baseline)	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Actual)	SY1388 (Actual)	SY1389 (Pro.)
PFM Performance	Government's PFM system	Improve / maintain PFM performance	PEFA PFM Performance Ratings	Review as of June 2005	Not monitored	Review as of Dec 2007	Not monitored	Plan to review in second half	No plan
Improving effectiveness of ARTF	Predictability of ARTF funding	More predictable ARTF funding on annual basis	% of ARTF estimated recurrent need for FY committed or pledged at start of FY	25%	60%	70%	101%	110%	160%
		More predictable ARTF funding on annual basis	% of total ARTF pledges deposited by donors by end of fiscal year	77%	90%	88%	92%	93%	100%
Increasing National Ownership	Increase flexibility of ARTF resources	Give the government increased ownership and flexibility to allocate resources to national priorities	% and volume of un-preferenced pledges (ARTF)	73% (\$294)	70% (\$316)	53% (\$381)	51% (\$351)	54% (\$359)	66% (\$593)
	Increase flexibility of all core budget assistance	Give the government increased ownership and flexibility to allocate resources to national priorities	Discretionary resources as share of total core development budget	37%	33%	21%	0%	21%	NA
	Use of national budget channels	Increase share of aid through Core Budget	Direct Budget Support as % of total ODA disbursed (per PD Survey ⁶)	20%	n/a	21%	n/a	n/a	Increase From previous survey

⁶ Paris Declaration survey was conducted in 2006 and 2008. The next one is scheduled in 2011.

Public Administration Reform (1/1)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY84-87), Preliminary Actual (SY88) and Projections (SY89)					
				SY1384 Baseline	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Actual)	SY1388 (Actual)	SY1389 (Pro.)
Structure of Government	Restructured and Rationalized Civil Service	Restructured small civil service which reflects core functions and eliminates duplication of functions; standardization of new position-based grading system across government	Number of (non-uniformed) civil servants ⁷	NA	257,237	273,323	273,545	292,661	n/a
			% of positions re-graded in line with approved 8-grade structure	n/a	0%	0%	10%	74%	90%
			% of appointments made to new P&G Structure (cumulative)	0%	0%	0%	0%	28%	37%
			% of civil servants receiving new pay & grade salaries (% of tashkeel positions: 334,000)	n/a	n/a	0%	0%	23%	n/a
Capacity Development	Extra-normal Appointments to line positions	Fill key senior civil service positions central to leading the reform effort with qualified staff; reduce need for donor top-ups	Cumulative number of positions filled through LEP and MCP	MCP-N/A (81 through LEP)	MCP-N/A (100 through LEP)	MCP-N/A (135 through LEP)	LEP N/A (32 through MCP)	LEP N/A (104 through MCP)	n/a
	Leadership and Managerial Capacity	Civil Servants who can lead and manage the reform process and the establishment of an effective and efficient civil service	Cumulative number of female and male senior civil servants that have completed leadership training (provided by IARCSC)	140	310	450	130	145 ⁸	n/a

⁷ All figures from the Monitoring Agent headcount database (annual averages). For Sy1388, the average of 3 quarters has been taken as monitoring is ongoing.

⁸ Includes DM & DG training, incoming senior managers training and two trainings for women in management.

Health (1/1)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY84-87), Preliminary Actual (SY88) and Projections (SY89)							
				SY1384 Baseline	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Actual)	SY1388 (Actual)	SY1389 (Pro.)		
Increase access to the Basic Package of Health Services (BPHS), with improving quality	Increase % of population with access to the BPHS	Sign partnership agreements with NGOs in uncovered areas and/or expand the MOPH strengthening mechanism	% Population of districts with financing and organizational arrangements to deliver BPHS	77%	82%	85%	85%	85%	87%		
			Outpatient visits per capita per year to publicly funded clinics	0.35	0.6	0.8	1.0	1.16	1.3		
	Greater coverage of preventative services	Maintain focus on improved immunization coverage and increase outreach activities	DPT3 coverage among children 12-23 months of age	16.7% (NRVA 05)	34.6% (AHS 2006)	NA	43% (NRVA 07/08)	NA	50%		
			Improved access to reproductive health services	Further increase no. of skilled midwives, especially in rural areas, expand outreach activities, explore incentives for mothers to deliver in facilities	Contraceptive prevalence rate	10.5% (NRVA 2005)	15.5% (AHS 2006)	NA	23% (NRVA 07/08)	NA	30%
					Skilled birth attendance (%)	8.4% (NRVA 2005)	18.9% (AHS 2006)	NA	24% (NRVA 07/08)	NA	30%
	Coverage of antenatal care	12.6% (NRVA 2005)	32.3% (AHS 2006)	NA	36% (NRVA 07/08)	NA	40%				
	Improved quality of care as judged by independent survey	Continuous in-service training of health workers and systematic supervision.	Balanced score card (based on third party evaluation), median score, nationally	59.0% (Sep 2005)	65.4% 6/ (Sep 2006)	70.2% (Sep 2007)	71.7% (Sep 2008)	70% ⁹	75%		
Improve quality of care in secondary and tertiary hospitals	Improved quality of care (broadly defined) as judged by independent survey	Implement Essential Package of Hospital Services, TA to strengthen hospital management, implementation of alternative hospital management mechanisms.	A separate balanced score card on secondary and tertiary hospitals (based on third party evaluation), median score, nationally	N/A	N/A	57.1 (Oct. 2007)	65.8 (Oct 2008)	62% *	75%		
			% of provinces that have initiated hospital reform process.	29% (10/34)	29% (10/34)	50% (17/34)	59% (20/34)	61% (21/34)	65%		

Note: Health projections based on ANDS targets as of SY1389 (2010/11)

⁹ The data are based on preliminary result from 12 provinces; the final result will be different which will be available by Sep 2010

Education (1/1)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY84-87), Preliminary Actual (SY88) and Projection (SY89)				
				SY1384 (Baseline)	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Actual)	SY1388 (Actual)
Increase access to education in grades 1-12	Increase Enrolment Rates in Grades 1-12	<ul style="list-style-type: none"> Rehabilitate/construct schools close to communities and implement social mobilization programs for increased enrolment. Increase numbers of female teachers Mandate formation of School Management Committees (SMCs) 	Gross Enrollment	4,894,715	5,494,172	5,675,951	6,112,453	6,515,380
			Percentage of female teachers	n/a	26 %	27.6 %	29 %	32%
			Percentage of schools with SMCs		Formation of SMCs mandated in all public schools.	75% registered schools have functioning SMCs	100% of registered schools have functioning SMCs	100% of registered schools (10,172) have SMCs ¹⁰
Increase quality of education in grades 1-12	All public sector teachers are trained.	<ul style="list-style-type: none"> Accelerate in-service teacher training in all 34 provinces for both permanent and <i>ajir</i> teachers. Develop HR system for teachers and project teacher needs for every 2 years including identifying excesses and deficits in teaching staff 	Numbers of teachers (both permanent and <i>ajir</i>) in government schools who have received in-service training.	15,000	37,000 In-service trained teachers. ID and Registration program being developed	37,000 in-service trained teachers. ID and Registration Process one third completed. HR system and HRMIS under preparation.	3,155 SMT (school Management Team) and 1,591 DT3 staff received training under Inset 1	47, 443 teachers and 2034 SMT (out of 158,163 teachers) trained under Inset 1 and 2
	Qualification based hiring of teachers	<ul style="list-style-type: none"> Develop a competency based pre-service teacher training framework and syllabi for Teacher Training Colleges (TTCs). Expand/strengthen TTCs in provinces. 	Percentage of incoming permanent female and male teachers that have stipulated minimum qualifications/TTC degrees.	N/A	Competency framework for pre-service teacher training development completed.	Competency framework for pre-service teacher training being piloted.	Not available	27%

¹⁰ 3000 new schools are created at the end of SY1388 and hence new SMC has to be created as well. If we include the new schools, the percentage of SMCs will be about 77%.

V. ARTF Recurrent Cost Financing

1. Introduction

This section of the report provides a summary of recurrent cost financing, as monitored by the Monitoring Agent, under World Bank supervision.

The ARTF, through recurrent cost financing, helps finance salaries and wages of non-uniformed civil servants (approximately 70 percent of whom are working outside Kabul) and government's operating and maintenance (O&M) expenditures outside of the security sector. As of June 21, 2010, a total of US\$2.08 billion had been made available to the government of which US\$2 billion has been disbursed.

The ARTF Management Committee has agreed a ceiling of US\$288.8 million in financing for SY1389. This ceiling includes a baseline grant of US\$225 million (US\$25 million less than SY1388 – as per the agreement to gradually decline the level of guaranteed support through ARTF) and additional incentive funds of US\$63.8 million through the ARTF Incentive Program (IP). The incentive funds are made up of US\$45 million for meeting the IP benchmarks and US\$18.8 million in revenue matching grants reflecting the government's positive revenue performance in SY1388.

2. SY1387 & SY1388 operating budget execution

Table 1 presents budgeted and actual operating expenditures for SY1387 and for SY1388 (still pending year-end adjustments). The table details those ministries which are ineligible for ARTF financing. The budget and actual expenditures in eligible ministries are reflected in bold.

Table 1: Budget versus Actual Expenditures

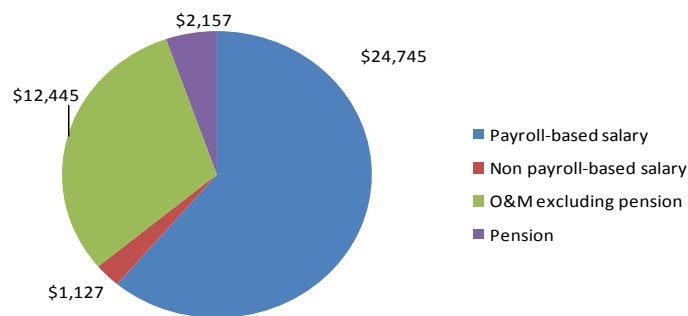
	Payroll AFN m	O&M AFN m	SY1388 AFN m	SY1387 AFN m
Initial Budget SY1388 (1)	67,589	29,287	96,876	65,360
Add: Mid-year budget review	3,893	-819	3,074	8,470
Less: budget for Defense, Interior, National Security, Presidential Protection Services	-40,626	-6,579	-47,205	-28,139
Budget in Ministries qualified for financing	30,856	21,889	52,745	45,691
Actual expenditures for year	64,245	23,047	87,292	69,026
Less: expenditure for Defense, Interior, National Security, Presidential Protection Services	-37,603	-5,512	-43,115	-31,985
Less: Advances and other unqualified codes	-769	-2,933	-3702	-2,285
Expenditures in Ministries qualified for financing	25,873	14,602	40,475	34,756
Actual expenditures in percentage of adjusted budgeted expenditures	84%	67%	77%	76.1%
Remaining budget	4,983	7,287	1,227	10,935
Remaining budget in percentage of initial budget	16%	33%	2%	24%

Source: Monitoring Agent 1st Quarter SY1389 Report

3. SY1388 expenditure distribution among cost categories

Figure 1 presents the distribution of AFN 40,475 million (US\$899 million) in eligible expenditure for SY1388 among the four 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, Priority Reform and Restructuring (PRR) payment and bonus payrolls. Non-payroll-based salary expenditure (NPBSE) comprises all expenditures classified in the Afghanistan Financial Management Information System (AFMIS) as wages and 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 Pension Department and Martyrs and Disabled Department of the Ministry of Labor and Social Affairs.

Figure 1: SY1388 Non-security Expenditures by main category (US\$m)

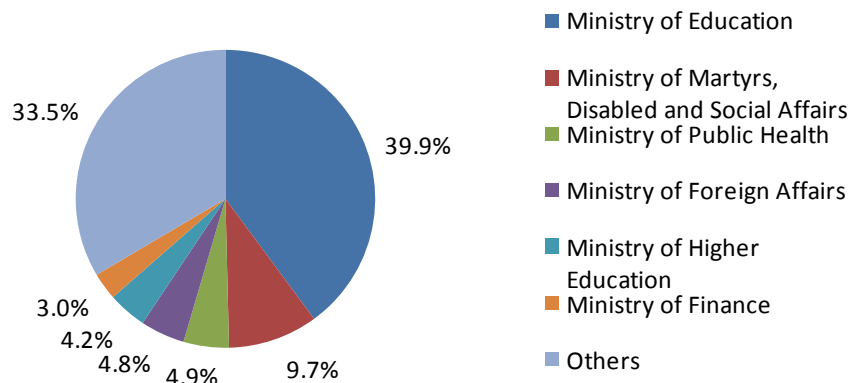


Source: Monitoring Agent 1st Quarter SY1389 Report

4. Recurrent costs by line ministry

Disbursements of eligible payroll and O&M expenditures for six of the largest ministries come to 66.5 percent of the total as shown in Figure 2 below for SY1388. The Ministry of Education accounted for 39.9 percent of non-security spending, mainly for teachers' salaries. Teachers represent almost half of all Afghan non-uniformed civil servants.

Figure 1: SY1388 Disbursements by Ministry



Source: Monitoring Agent 1st Quarter SY1389 Report

5. Eligibility of expenditures

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

ARTF Eligibility Criteria
<p>Government Regulations</p> <p><u>The Annual Budget Decree</u>: 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 for the yearly budget was approved by the ARTF Management Committee.</p> <p><u>Other</u>: 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).</p>
<p>ARTF Grant Agreement :</p> <p>All military and security related expenditures are ineligible for financing.</p> <p><u>Procurement</u>: Capitalized goods and works need to be procured in accordance with the provision of World Bank procurement in the Financial agreement.</p>
<p>Fiduciary Standards</p> <p><u>Fiduciary Standards (revised as at 20 December 2004)</u>: 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.</p>

6. Eligibility performance

Table 2 below presents comparative data on submitted expenditures and actual approved expenditures over the life of the ARTF. Payments are deemed ineligible according to the criteria described in the box above. SY1388 figures are not presented because monitoring is ongoing. The expenditure and eligibility figures for the three years SY1384, SY1385 and SY1386 were restated taking into account the final deductions based on the auditors' findings for these years. Payroll eligibilities for the last four years were 92.5 percent (SY1385), 89.2 percent (SY1386), and 88.4 percent (SY1387).

The eligibility for SY1388 is still being determined. However, the monitoring carried out so far of the head office operations for both Payroll and O&M produce the following in progress results:

Payroll eligibility to date comes to 92.3 percent. Ineligibility of AFN2,002 million is due to non-compliance with government regulations and the fiduciary standards. A lack of adequate supporting documents for expenditures associated with embassies under the Ministry of Foreign Affairs was also one of the major sources of payroll ineligibility.

O&M eligibility to date comes to 74.5 percent. Ineligibility of AFN3,725 million comprises of AFN2,013 million due to non-compliance with procurement procedures such as local advertisements, direct purchases from state enterprises.

**Table 2: SY1381-87 Summary of Statements of Expenditure: Submissions and Approvals
(US\$ thousands)**

		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	Total	148,184	280,303	428,487	95,688	259,315	355,003	64.6%	92.5%	82.9%
1386	Total	178,777	323,943	502,721	110,855	288,969	399,824	62.0%	89.2%	79.5%
1387	Total	261,946	412,914	674,859	40,076	365,044	405,121	15.3%	88.4%	60.0%
Grand total		1,117,888	1,655,177	2,773,065	452,122	1,491,977	1,944,099	40.4%	90.1%	70.1%

Source: SoE submitted to World Bank

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

Source: SoEs submitted to the World Bank

- Notes:
1. Table excluding deductions for reaching the yearly budget cap as agreed between donors and GIRA.
 2. Negative figure for O&M in the second quarter of SY1387 is the result of recovery of expenditures reimbursed in the first quarter. Due to changes in procurement law O&M expenditure relating to SY1387 is not reimbursable. The net figure USD 36.5m for O&M comprises expenditures on pensions.
 3. SY1387 figures does not currently reflect eligibility ratios consistent with prior years since all O&M and non payroll based compensation were not qualified for reimbursement under ARTF due to amendments made to public procurement law which made it not acceptable. These provisions were restored for SY1388.

ANNEX 1:

STATUS OF ARTF INVESTMENT PROJECTS

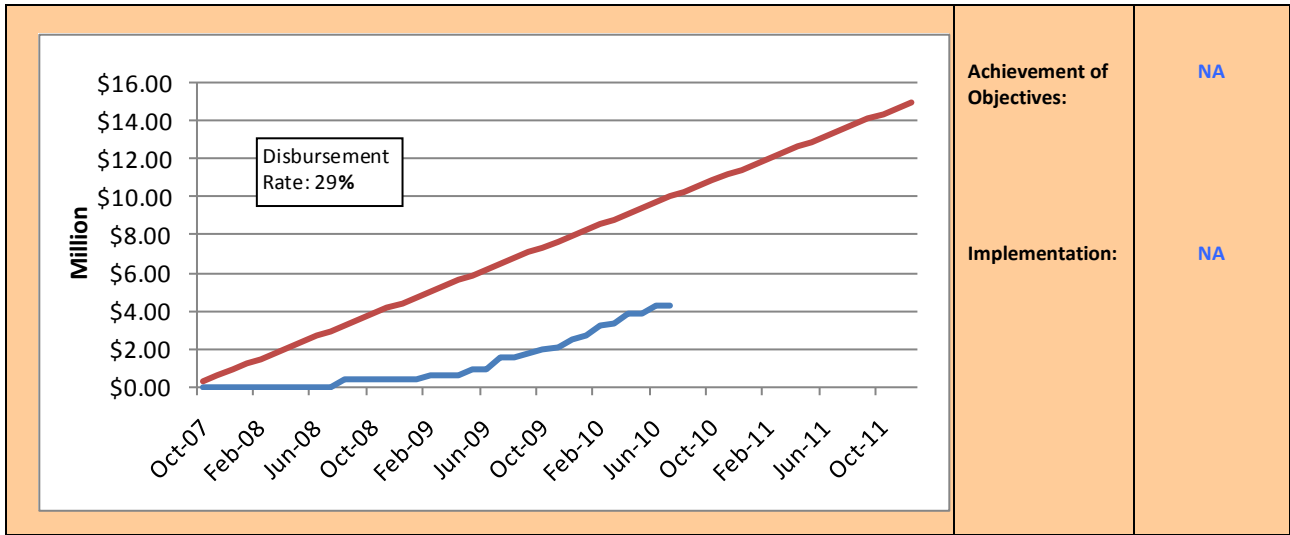
**Status and Ratings of Active and Disbursing ARTF Investment Projects
(Amounts in US\$ million)**

	<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>
Management Capacity Program (TF090077)	15.00	4.30	10.70	10/17/2007	12/31/2011	NA	NA
Micro-finance Support for Poverty Reduction (TF052452)	183.30	167.94	15.36	7/10/2003	6/30/2010	S	S
National Solidarity Program II (TF090205)	449.50	423.87	25.63	5/27/2007	9/30/2011	S	S
Rehabilitation of Naghlu Hydropower Plant (TF54718)	20.00	8.88	11.12	2/13/2005	6/30/2010	MS	MS
Urban Water and Sanitation (TF054729)	41.00	29.28	11.72	2/21/2005	12/31/2010	MU	U
Kabul-Aybak/Mazar-e-Sharif Power Project (TF091120)	57.00	26.31	30.69	12/26/2007	9/30/2011	S	S
Horticulture and Livestock Program (TF091885)	34.30	5.95	28.35	5/26/2008	12/31/2011	MS	MS
Kabul Urban Reconstruction Project (TF092073)	5.60	1.22	4.38	5/13/2008	12/31/2011	NA	MS
Justice Sector Reform Project (TF092160)	27.75	4.43	23.32	7/15/2008	6/30/2011	S	MS
Strengthening Higher Education Project (TF092544)	5.00	1.35	3.65	8/5/2008	12/31/2012	S	S
Kabul Urban Roads Improvement Project (TF093632)	18.00	5.43	12.57	2/25/2009	12/31/2010	U	U
Power System Development Project (TF093513)	35.00	7.02	27.98	3/19/2009	7/31/2012	NA	MS
Water Resources Development Technical Assis. Project (TF093637)	5.50	1.07	4.43	3/23/2009	3/31/2011	NA	S
Skills Development Project (TF093854)	9.00	3.97	5.03	4/14/2009	2/28/2013	NA	S
Education Quality Improvement Program II (TF093962)	35.00	35.00	0.00	4/14/2009	9/1/2012	NA	NA
National Emergency Rural Access Project (TF095297)	30.00	16.00	14.00	10/20/2009	12/31/2011	S	MS
Strengthening Health Activities for the Rural Poor (SHARP)	22.00	12.00	10.00	04/11/2010	09/30/2013		

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. MANAGEMENT CAPACITY PROGRAM (TF090077)			Contact: Satyendra Prasad
Approved: 30-June-07	Effective: 17-Oct-07	Closing: 31-Dec-11	sprasad@worldbank.org
Allocated: US\$15.0 million	Disbursed: US\$4.30 million	Available: US\$10.07 million	
<p>Objective: To achieve sustained improved performance in the management capacity of key departments dealing with financial management, human resource management, policy and regulatory design and administration. Improved management in the core functions should 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) provides the means of bringing in critical Afghan management to line ministries as a complement to donor provided technical assistance. MCP hires skilled Afghans through a transparent, merit-based process led by the Independent Administrative Reform and Civil Service Commission (IARCSC). MCP hires are paid at a more competitive salary scale. This is an interim solution to address the challenges of 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>Implementation Progress:</p> <p>Despite initial delays, MCP implementation has gained momentum and the original grant of US\$10 million has been committed. The MCP aims to finance approximately 200 staff positions with an indicative funding requirement of US\$ 35 million. The project currently supports 25 line ministries. 261 positions have been advertised of which 102 have been contracted using an agreed salary scale. 34 positions are currently under recruitment. Demand from ministries far exceeds available funding.</p> <p>In June 2009, the Management Committee approved an expansion of MCP's scope to include a new component to support the monitoring and oversight of ANDS implementation. As a result, the project cost increased from US\$30 million to US\$35 million. The additional US\$5 million will finance ANDS support positions over the period of 3 years and related program management costs. Initial positions are now filled, with 8 in the Ministry of Economy.</p> <p>In 2009 the Independent Administrative Reform & Civil Service Commission (IARCSC) recruited Adam Smith International (ASI) to provide project management support. This support ended in 2010. The project has now hired a full time HR Specialist, an M&E specialist and a short-term specialist on Outreach and Communications. Utilization of the technical assistance (TA) by the Capacity Development Secretariat (CDS) has thus far focused on system development, improving standards, responding to gaps in implementation and developing an M&E system.</p>			
<p>Issues and Actions:</p> <p>The project will be restructured in SY1389 following discussions with donors and government. The restructuring will aim to streamline project processes and possibly to scale up the program, in particular to cover priority sub-national positions.</p>			



Achievement of Objectives:

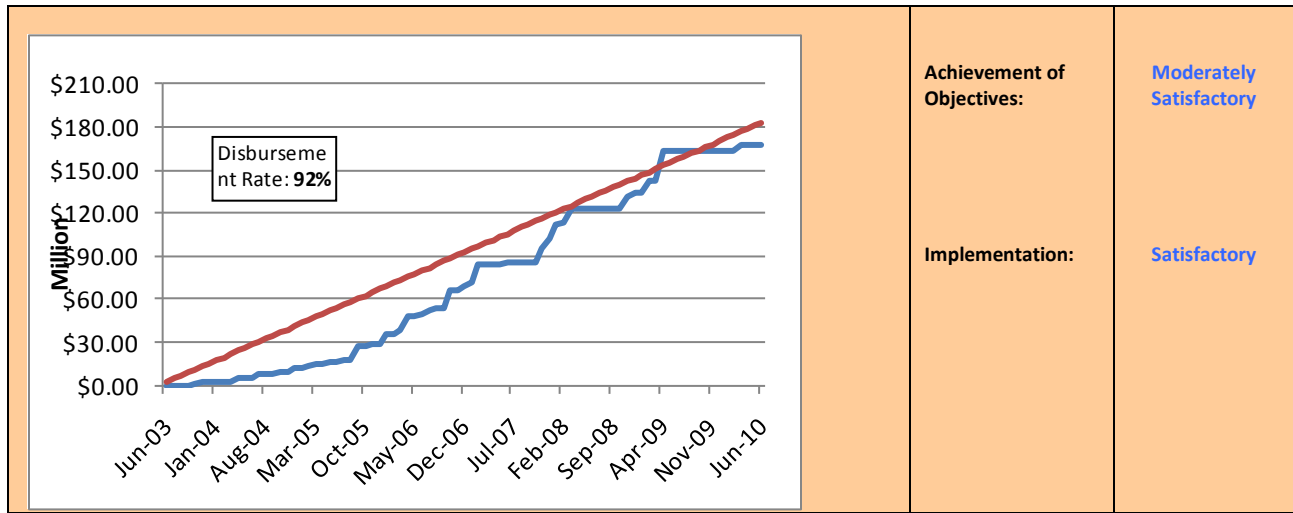
NA

Implementation:

NA

2. MICROFINANCE SUPPORT FOR POVERTY REDUCTION (TF052452)			Contact: Henry Bagazonzya
Approved: 10-July-03	Effective: 10-July-03	Closing: 30-June-10	hbagazonzya@worldbank.org
Allocated: US\$183.3 million	Disbursed: US\$167.94 million	Undisbursed: US\$15.36 million	
<p>Objective: To use microfinance as a tool to improve livelihoods by supporting entrepreneurial spirit and skills. This helps individuals transition from dependence on humanitarian assistance to economic independence and empowerment.</p>			
<p>Component 1: Microfinance Fund (Loan fund) Component 2: Capacity-building/training of Microfinance Providers Component 3: Implementation Support to MISFA (Afghanistan's apex body for the sector) and microfinance institutions (MFIs)</p>			
<p>Implementation Progress:</p> <p>Geographic Coverage: MISFA's partners have 307 branches across 26 provinces and 140 districts, excluding provincial capitals. Going forward, the focus will be on deepening outreach within the provinces where microfinance is currently available. During Sy1388, MFIs consolidated their operations. In some provinces, the lending activity is also severely constrained due to security issues.</p> <p>Program Implementation Update: MFI partners have a total of 435,442 active clients out of which over 301,314 are active borrowers with an outstanding gross loan portfolio of US\$102 million. Cumulatively over 1.55 million loans have been made, with an aggregate value of more than US\$738 million. The average loan outstanding is US\$338 and the cumulative repayment rate is 93 percent. MFIs have also collected approximately US\$19 million in small savings deposits.</p> <p>MISFA has provided support to the SME sector through 15 branches/service outlets of commercial banks in 9 provinces. There are 440 clients with gross outstanding loans of US\$7.6 million with an average loan size of US\$17,198.</p> <p>Gender / Special Clients: There are over 261,265 female clients, 60 per cent of the total. Some of the MFIs specifically cater to women clients. They employ 4,141 staff, of which 38 per cent are female. MISFA has trained over 700 Afghans in microfinance.</p> <p>Projections: It is expected that growth in portfolio and number of clients will continue to slow as the sector consolidates to improve portfolio quality and security concerns limit operations in certain areas.</p>			
<p>Issues and Actions:</p> <p>While actively engaged with partners in the consolidation phase, MISFA is also working with its other partners to solidify their operations and create the conditions for future growth on a solid foundation. MISFA's support will comprise of grants, subordinated debt, on-lending funds and technical assistance. MISFA is also developing stricter performance standards that will have to be followed by current and future partners. These standards will include: corporate governance; a code of conduct/senior management arrangements; strategic and business planning, budgeting and projections; non performance assets accounting treatment; internal controls, transparency, disclosure and reporting.</p>			

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



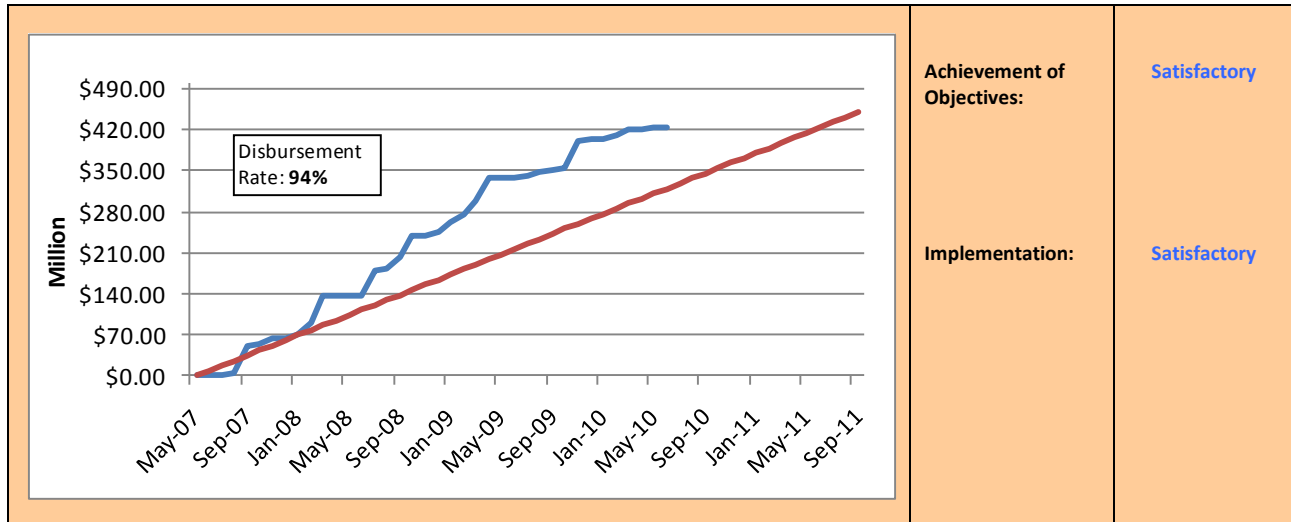
Achievement of Objectives:

Moderately Satisfactory

Implementation:

Satisfactory

3. NATIONAL SOLIDARITY PROGRAM II (NSP II) TF090205			Contact: Qazi Azmat Isa, Zishan Karim
Approved: 07-Dec-06	Effective: 27-May-07	Closing: 30-Sep-11	gisa@worldbank.org zkarim@worldbank.org
Allocated: US\$449.5 million	Disbursed: US\$423.87 million	Available: US\$25.63 million	
Objective: To lay the foundations for strengthened community level governance, and to support community reconstruction and development projects that improve the access of rural communities in Afghanistan 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: As of June 20, 2010, the program had mobilized approximately 22,653 communities, of which 22,257 have elected Community Development Councils (CDCs) and 22,147 have prepared Community Development Plans (CDPs). These communities submitted 50,205 subproject proposals which were approved: 40,420 of these subprojects have been completed. These include water supply and sanitation (24 percent), rural roads (24 percent), irrigation (17 percent), village electrification (14 percent), and others (21 percent). Some other key achievements this quarter are the following: <ul style="list-style-type: none"> • Approximately 2,000 communities have fully utilized their block grant (totaling 16,027 communities) and over 2,000 sub projects have been completed. • Phase III of the project was approved by the World Bank Board of Directors on June 29, 2010 and is expected to be effective by September 2010. NSP Phase III will provide repeater block grants to communities that have fully utilized their first block grant and rollout to 11,000 new communities to complete national coverage. Contracting with Facilitating Partners for NSP Phase III is already underway. An ARTF grant is expected to open for this phase in SY1389. 			
Issues and Actions: Overall, NSP continues to meet its development objectives and the performance rating of the project continues to be satisfactory. The next supervision mission for the project is planned for August 2010 when the performance ratings and progress against development objectives will be reviewed. The August mission will look review NSP's financial monitoring systems and the quality of training provided to Facilitating Partners. An aide memoire outlining key findings from the mission will be circulated in September.			



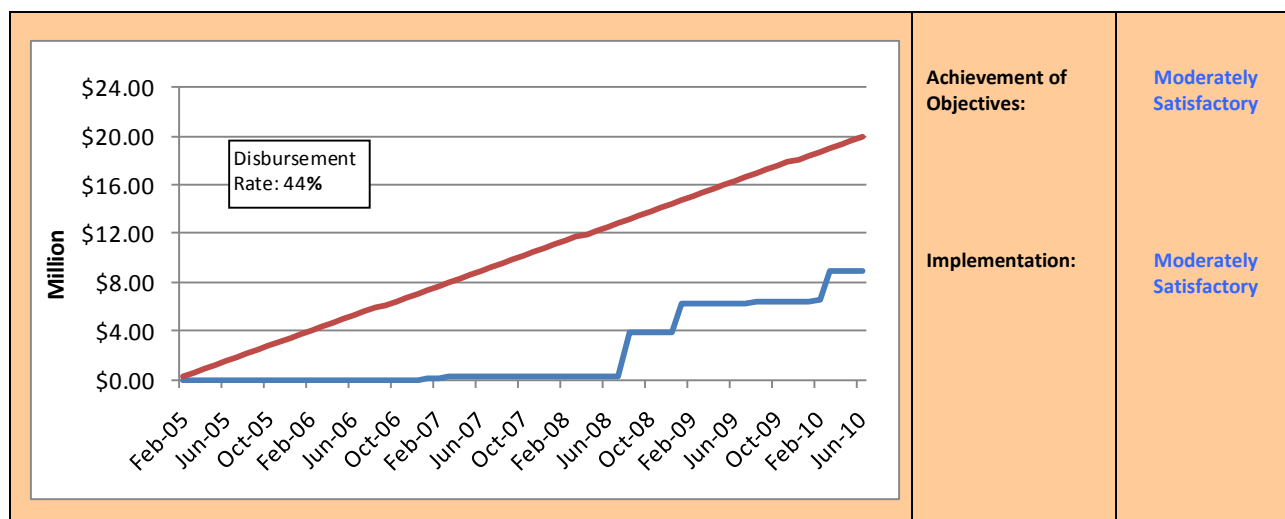
Achievement of Objectives:

Satisfactory

Implementation:

Satisfactory

4. EMERGENCY POWER REHABILITATION PROJECT (Naghlu Hydropower) (TF054718)			Contact: Mesfin Jijo
Approved: 13-Feb-05	Effective: 13-Feb-05	Closing: 30-Sep-12	mjijo@worldbank.org
Allocated: US\$20.0 million		Disbursed: US\$8.88 million	Available: US\$11.12 million
Objective: To improve reliability of the power supply in Kabul.			
<p>Component 1: Rehabilitation of 100 MW Naghlu hydropower plant in Laghman province (US\$18.9 million)</p> <p>Component 2: Supervisory engineer for rehabilitation of Naghlu hydropower plant (US\$1.1 million)</p>			
<p>This activity is a component of a larger IDA-financed project: the Emergency Power Rehabilitation project (EPRP). EPRP is supporting the corporatization of DABM/S, as well as the rehabilitation of transmission lines and substations to improve the power supply in Kabul. The progress of the larger project is positive:</p> <ul style="list-style-type: none"> • After several months of delay, transfer of assets and liabilities and its staff from DABM to DABS took place on September 30, 2009. This is an important milestone achieved by the Government of Afghanistan with the objective to bringing new management culture, improving the operational and financial sustainability of the sector and accountability towards consumers. • The power supply to Kabul is significantly better with imports from Uzbekistan (100-120 MW) supplementing the own hydro generation and some diesel generation, mainly used only as back-up for emergencies and occasional peak support. <p>Implementation Progress on Naghlu:</p> <p>The rehabilitation of the Naghlu hydro power project is progressing slowly. The first unit is under rehabilitation and expected to be back in service by September 2010. Other units of the plant are planned to be completed thereafter in 6-9 month intervals. DABS will decommission unit no 3 by end of June 2010 to hand over to the contractor. The estimated completion of this project component is June 2012.</p> <p>Issues and Actions:</p> <p>MEW will be closely following up contract progress and the resolution of contractual issues.</p>			



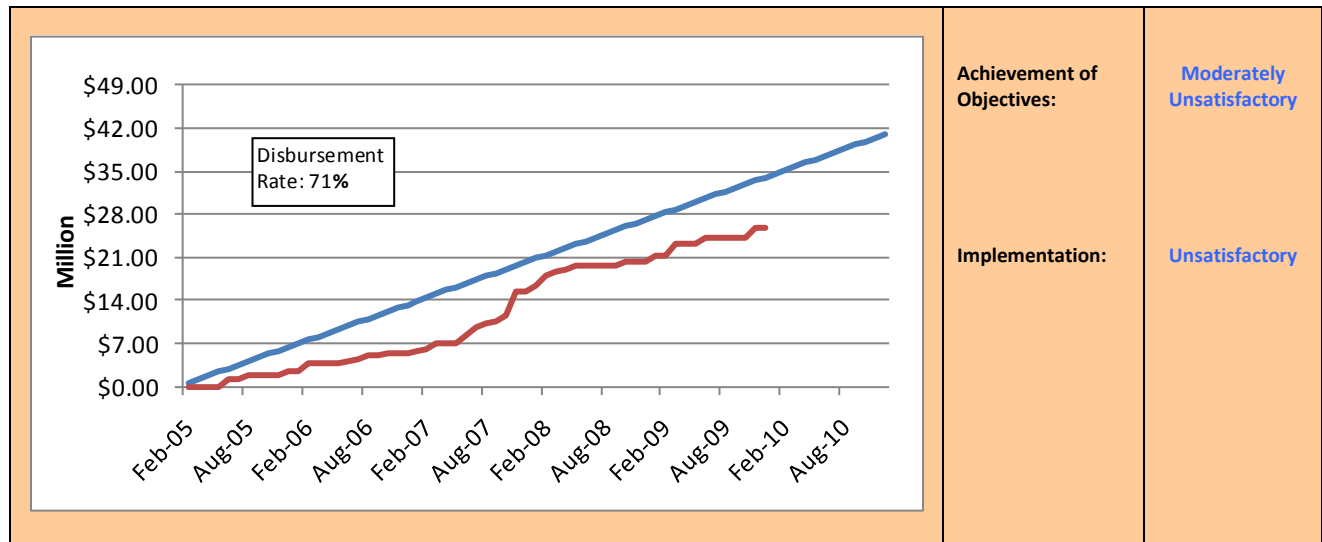
Achievement of Objectives: Moderately Satisfactory

Implementation: Moderately Satisfactory

5. URBAN WATER SUPPLY AND SANITATION (TF054729)			Contact: Shyamal Sarkar
Approved: 21-Feb-05	Effective: 21-Feb-05	Closing: 31-Dec-10	ssarkar@worldbank.org
Allocated: US\$41.0 million		Disbursed: US\$29.28 million	Available: US\$11.72 million
<p>Objective: To provide urban areas sustainable, improved water supply and sanitation services and to strengthen the sector's technical and institutional foundations for the medium term.</p>			
<p>Component 1: Kabul Water Supply, Construction of boreholes in the Upper Kabul River well-field.</p> <p>Component 2: Kabul Sanitation, On-site Sanitation and Solid Waste – Supporting the improvement of sanitation and solid waste disposal services in Kabul through the acquisition of equipment, construction of new facilities including a workshop, and rehabilitation of a solid waste dumpsite.</p> <p>Component 3: Provincial Towns Water Supply – Provision of water supply services in provincial towns through: (i) completion of rehabilitation of water supply systems and initial expansion of systems in selected provincial towns; and (ii) new construction of systems in towns which are not served by a water supply network.</p> <p>Component 4: Engineering Support and Technical Assistance to Central Authority for Water Supply and Sewerage (CAWSS) and Kabul Municipality.</p> <p>Component 5: Financial Support to the government's Central Authority for Water Supply and Sewerage (CAWSS) Operations.</p>			
<p>Implementation Progress:</p> <p><i>During SY1388, the project was restructured to reduce the project scope and scale back project outcomes. This status update reflects those changes.</i></p> <p>Component 1: Kabul Water Supply. The production and observation wells have been completed for the Kabul water supply to provide water at 1,420 cum/hour. No further activities are to be supported under this component.</p> <p>Component 2: Kabul Sanitation. The rehabilitation of Kabul's main Chamtala dumpsite has been completed. The dumpsite receives around 900 tons per day of municipal waste. Sanitation activities have been cancelled as part of the restructuring.</p> <p>Component 3: Provincial Towns Water Supply. This component covers water supply in Sheberghan, Mazar-i-Sharif, Taloqan, Charikar, Jalalabad, Metherlam, Gardez, Ghazni, Kandahar, Qalat and Maimana, and Pul-i- Khumri. The ongoing investments will provide over 15,000 new water connections in 12 provincial towns which together with the improvement in the existing service is estimated to benefit about 700,000 people.</p> <p>Component 4: Engineering Support and Technical Assistance to the Central Authority for Water Supply and Sewerage (CAWSS) and the Kabul Municipality. Afghanistan's new water corporation (AUWSSC) became operational in May 2009 beginning with the operation of water supply in Kabul. CAWSS was liquidated in December 2009. AUWSSC has taken over operations in all service areas.</p> <p>Component 5: Financial Support to the government's Central Authority for Water Supply and Sewerage (CAWSS) Operations. Activities have been completed. This support contributed significantly to improving the management capacity of all 14 units of CAWSS and generated detailed technical, financial and commercial data for the first time.</p>			

Issues and Actions:

- The restructured project has an estimated funding gap of about US\$7.5 million to cover the expenditures on additional materials; securing funding support from ARTF is contingent upon project performance.



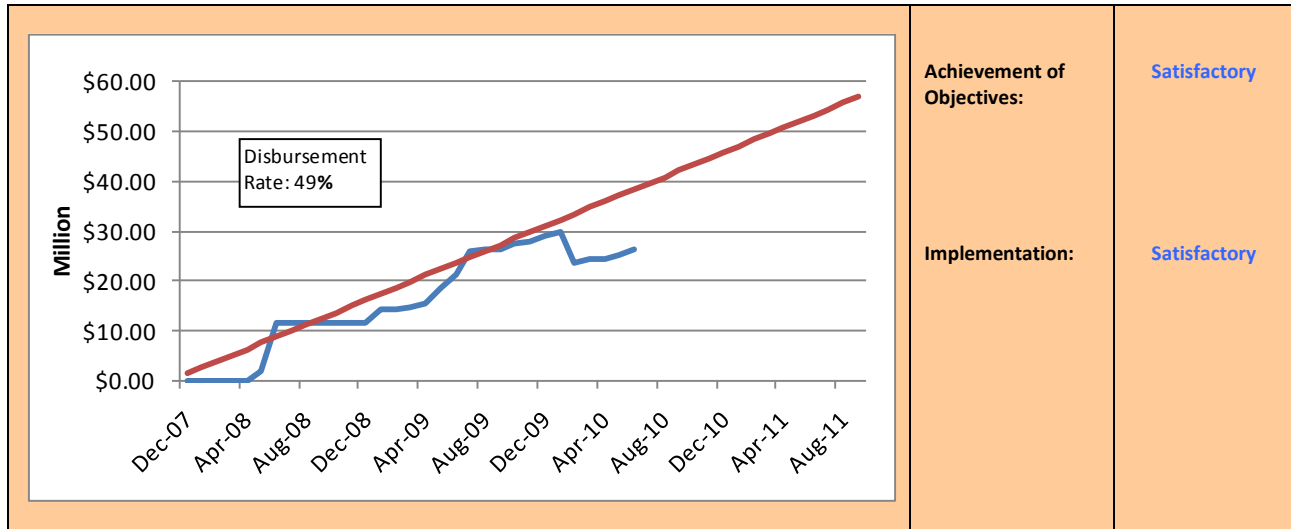
Achievement of Objectives:

Moderately Unsatisfactory

Implementation:

Unsatisfactory

6. KABUL/AYBAK/MAZAR-e-SHARIF POWER PROJECT (TF091120)			Contact: Mohammad Anis, Anjum Ahmad,
Approved: 26-Dec-07	Effective: 26-Dec-07	Closing: 30-Sept-11	manis@worldbank.org, aahmad2@worldbank.org
Allocated: US\$57.0 million	Disbursed: US\$26.31 million	Available: US\$30.69 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.			
<p>Component 1: Distribution System Rehabilitation of part of Kabul City network.</p> <p>Component 2: 220 kV Substation at Aybak and interconnection with medium voltage system</p> <p>Component 3: Power System Rehabilitation for Mazar-e-Sharif</p> <p>Component 4: Institutional capacity building / support</p>			
<p>The objective of the Project is to provide an improved and more reliable power supply to the people in Kabul-Aybak-Mazar-e-Sharif with the key project outcome indicator being a 70 percent increase in grid supplied power consumption.</p> <p>Implementation Progress:</p> <p>The implementation works for Aybak and Mazar distribution projects are progressing well with major materials received at site. Major materials for Mazar Substation have been ordered. The foundation drawings for Aybak substation work have been cleared. Energizing of feeder 07 was successfully done and DABS has commenced customer connections in Mazar-e-Sharif.</p> <p>Construction work on a customer care center has begun and will be completed in four months.</p> <p>The digital metering package for single and three phase consumers (last under this project), has been ordered and factory inspection test has been completed. Expected completion of installation would be August 2010. USAID is funding the installation of these meters.</p> <p>The project closing date has been extended by 21 months to 30 September 2011 following a mid-term review of the project status.</p>			
Issues and Actions:			
<ul style="list-style-type: none"> • The project is experiencing delays in issuance of customs clearance letters, letter of credits, and the supply of concrete poles. • In addition, with series of recent attacks in Kabul, the contractors have recalled a major part of the work force until the situation improves. 			



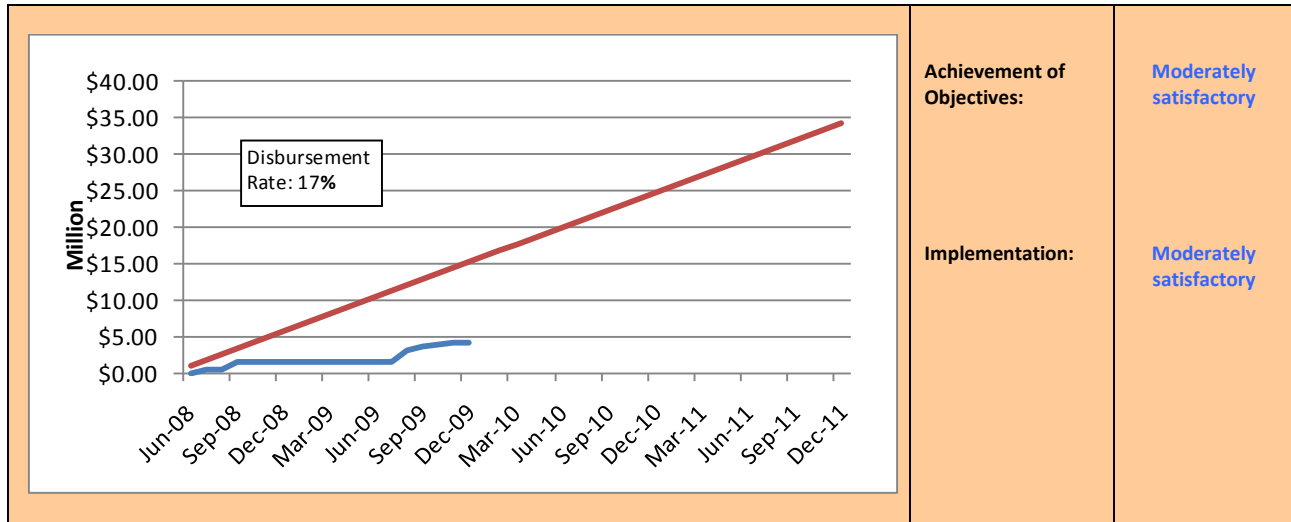
Achievement of Objectives:

Satisfactory

Implementation:

Satisfactory

7. HORTICULTURE AND LIVESTOCK PRODUCTIVITY PROJECT (TF091885)			Contact: Mr. Usman Qamar
Approved: 26-May-08	Effective: 26-May-08	Closing: 31-Dec-11	uqamar@worldbank.org
Allocated: US\$34.30 million	Disbursed: US\$5.95 million	Available: US\$28.35 million	
Objective: To assist producer households in adopting improved practices so as to increase horticulture and livestock productivity and production in focus areas.			
<p>Component 1: Increasing Productivity and Marketable Output of Perennial Horticulture;</p> <p>Component 2: Increasing Output and Productivity of Livestock;</p> <p>Component 3: Capacity Building, and Monitoring and Evaluation Support</p>			
Implementation Progress:			
<p>The ARTF Management Committee approved a US\$14.3 million grant for the project in May 2010 increasing total ARTF financing for the project to US\$34.3 million. With this approval the financing gap of HLP is fully covered. Overall the project continues to make good progress. Several contracts are in the process of being extended to coincide with the new closing date. Below are the key developments in both the horticulture and livestock components in the last quarter:</p>			
Horticulture			
<ul style="list-style-type: none"> • There has been good progress on the plantation of new orchards with good survival rates of the saplings planted (73 – 95 percent). So far, over 2100 hectares (ha) of new orchards (grapes, apricots, almonds and pomegranates) have been planted and over 600 women participated in this program. An additional 900 ha of new orchards are planned for fall 2010. • In addition to establishing new orchards, extension messages and inputs were provided for the improvement of existing orchards owned by over 36,000 farmers. • The second phase of the grape value chain pilot (GVCP) is under preparation after the successful implementation of its first phase in the Mir Bachakot district of Kabul, leading to enhanced yields and quality/price of grapes through the introduction of improved production practices and technology as well as successes in enabling access to new markets. 			
Livestock			
<ul style="list-style-type: none"> • The first batch of 7,000 intensive poultry units that were started in July 2009 is in the production phase with over 11 million eggs produced and marketed. Efforts are being made for starting the second-cycle of poultry for these existing 7,000 units before the first-round of poultry stops laying. Preparations are also underway for the second batch of 4,000 units. • 114 government clinics have been privatized. Further clinics are being identified for privatization. • Training of livestock extension workers is proceeding. • The Liquid Nitrogen Plant that will support artificial insemination is expected to be delivered by July 15, 2010. 			
Issues and Actions:			
<ul style="list-style-type: none"> • Security situation: The security situation in some districts in which HLP is operating is deteriorating and some operations for farmer mobilization have had to be suspended • Contract extension: MAIL needs to expedite ongoing negotiations for key contracts that have to be extended to the end of the project. 			



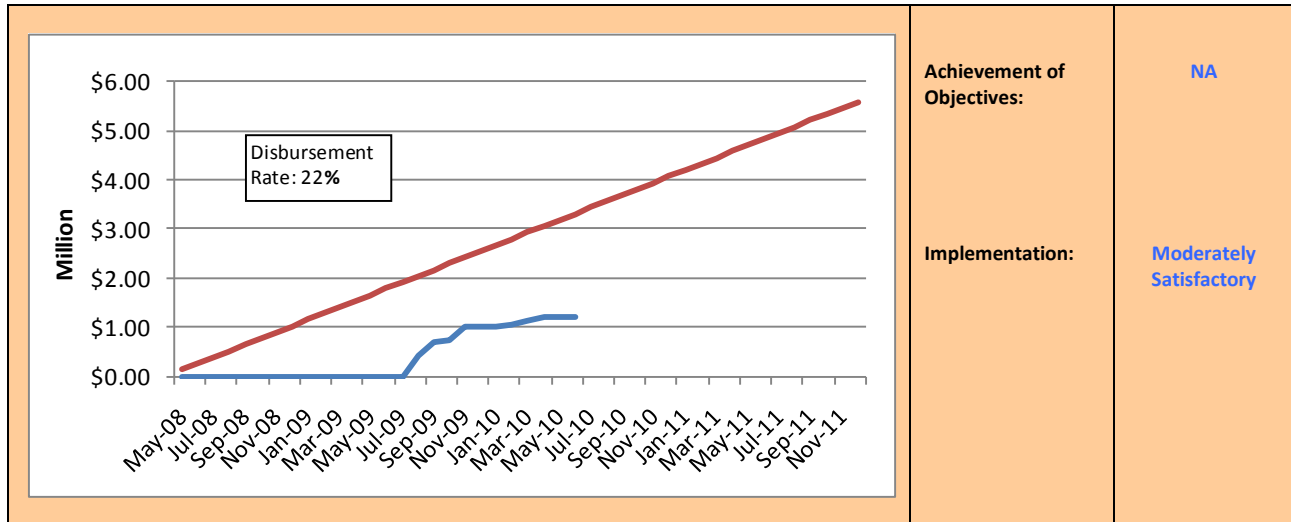
Achievement of Objectives:

Moderately satisfactory

Implementation:

Moderately satisfactory

8. KABUL URBAN RECONSTRUCTION PROJECT (TF092073)			Contact: Susanne Holste
Approved: 13-May-08	Effective: 13-May-08	Closing: 31-Dec-11	Sholste@worldbank.org
Allocated: US\$5.6 million	Disbursed: US\$1.22 million	Available: US\$4.38 million	
<p>Objective: The 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, Joy Sher area (US\$3.6 million)</p> <p>Component 2: Engineering and Project Management Support (US\$1.76 million)</p> <p>Component 3: Support on Cultural Heritage (US\$0.24 million)</p>			
<p>Implementation Progress:</p> <p>The project became effective on May 31, 2008 and has experienced some delays in implementation. Works which are financed under this project will take place in the historic neighborhoods of Kabul and preparatory studies were necessary to ensure that no damage would occur. The project is now in the final stages of procurement and works are expected to start in early SY1389.</p> <p>While the contribution of this project to historic conservation and heritage is modest, it is seen as a vital contribution to safeguard cultural heritage in Kabul by strengthening the institutional capacity in the Ministry of Urban Development and restoring infrastructure.</p>			
<p>Issues and Actions:</p> <ul style="list-style-type: none"> • Close follow up with the Project Management Unit to ensure that works are carried out to the specification necessary for the historic neighborhoods. • Re-launch support to strengthening of cultural heritage department in the ministry and the Project Management Unit. 			



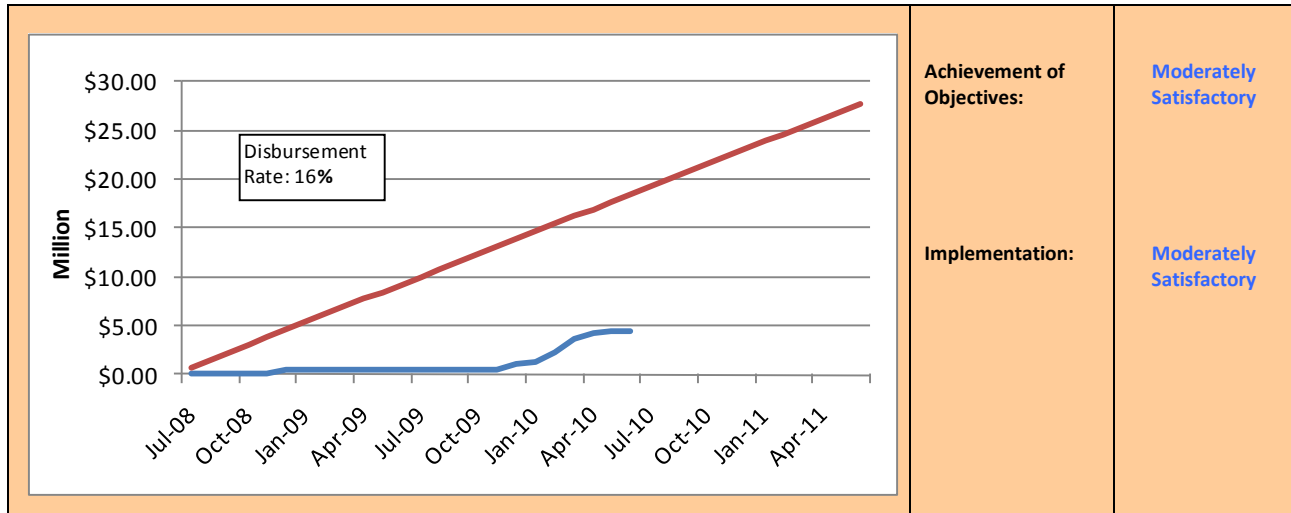
Achievement of Objectives:

NA

Implementation:

Moderately Satisfactory

9. JUDICIAL REFORM PROJECT (TF092160)			Contact: Lubomira Beardsley
Approved: 15-Jul-08	Effective: 15-Jul-08	Closing: 30-Jun-11	Lbeardsley@worldbank.org
Allocated: US\$27.75 million		Disbursed: US\$4.43 million	Available: US\$23.32 million
Objective: To strengthen the centralized state justice system in Afghanistan and increase access to justice for the Afghan people.			
Component 1: Enhancing Capacity of Justice Institutions (\$US23.6 million)			
Component 2: Empowering the People (US\$2.4 million)			
Component 3: Strengthening Implementation Capacity (US\$1.75 million)			
Implementation Progress:			
<p>A World Bank Mid Term supervision mission took place in Q3 SY1388 and the project has been extended through July 2011. The project progress is as follows:</p> <p>Component 1: Enhancing Capacity of Justice Institutions The procurement of first package of vehicles for Ministry of Justice (MoJ), Supreme Court (SC) and Attorney General's Office (AGO) and their delivery is completed. Furniture, equipment including for ICT have been delivered.</p> <p>The SC has agreed with the Egyptian Ministry of Justice to conduct a series of longer term training of judges in Egypt. The project will finance 60 Afghan judges to visit Egypt between May 2010 and June 2011.</p> <p>All three justice institutions are now moving ahead with hiring librarians, buying books, law journals, and equipment under the library subcomponent.</p> <p>Consulting services for the design of HQ and provincial justice facilities is at the final stage of procurement</p> <p>Component 2: Empowering the People The main area of progress has been the procurement of equipment for legal aid and outreach offices. Legal aid lawyers and administrative assistants are also being hired.</p> <p>Component 3: Strengthening Implementation Capacity The Project Oversight Committee (POC) continues to meet regularly. However, the recruitment of a new project director, a project coordinator, an M&E specialist and an international procurement specialist are outstanding.</p>			
Issues and Actions:			
<ul style="list-style-type: none"> As noted above, the Project Support Unit is still not fully operational; recruitment of core staff has proved difficult. The PSU has not finalized its operations manual yet. Human Resource Management activities, Training Management Capacity for SC and AGO, and training proposal for AGO need to be developed. 			



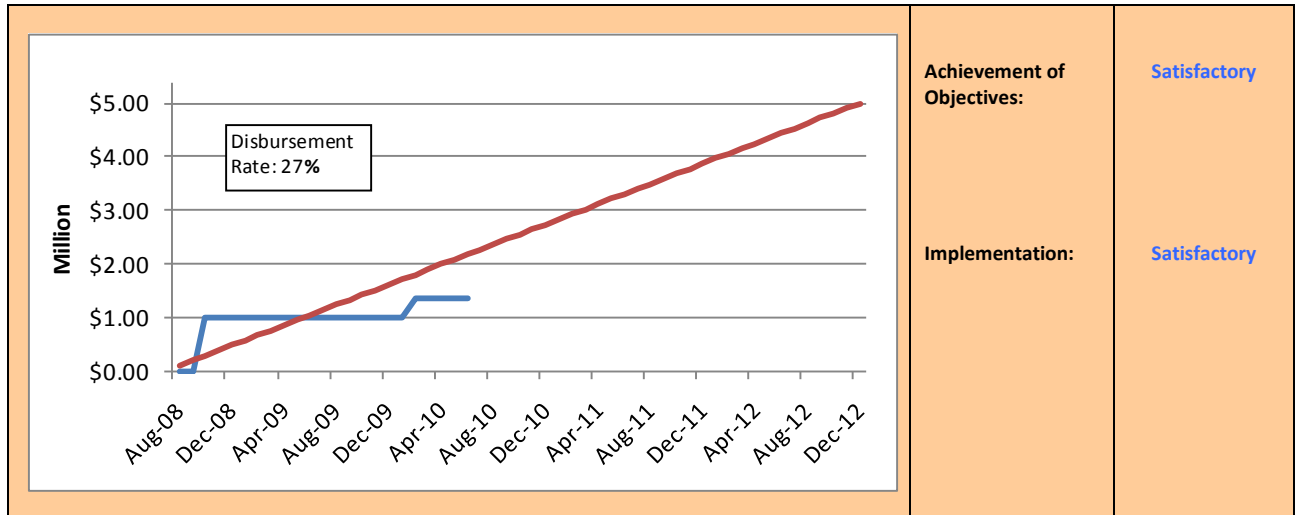
Achievement of Objectives:

Moderately Satisfactory

Implementation:

Moderately Satisfactory

10. STRENGTHENING HIGHER EDUCATION PROGRAM (TF092544)			Contact: Samantha de Silva
Approved: 05-Aug-08	Effective: 05-Aug-08	Closing: 31-Dec-12	sdesilva@worldbank.org
Allocated: US\$5.0 million		Disbursed: US\$1.35 million	Available: US\$3.65 million
<p>Objective: The development objective of the program is to progressively restore basic operational performance at a group of core universities in Afghanistan, which will provide an institutional base for an agenda focusing on tertiary education development, capacity building and reform.</p>			
<p>Component 1: University Partnership Program Component 2: Block Grants to Universities and Faculties Component 3: Support for a new Higher Education Governance System</p>			
<p>Implementation Progress:</p> <p>ARTF resources are supporting infrastructure projects under Components 1 in four universities: Balkh, Kandahar, Kabul Polytechnic and Nangahar. All funds are now committed and the infrastructure design and rehabilitation is underway. Resources are also partly allocated towards faculty development by financing graduate degrees abroad and other academic undertakings. This has included financing of graduate degree programs for the Afghan faculty from Kandahar University, Balkh University, Kabul Polytechnic at overseas universities such as the Asian Institute of Technology (Thailand), Central Asia and Europe.</p> <p>The project is putting into action the recommendations of the mid-term evaluation. These key actions include: (i) improve the integration of partnerships and block grants at university level; (ii) identify the lessons-learned from implementation to date, and incorporate them in the second phase; and (iii) improve support to the Ministry of Higher Education (MoHE) for strategic development of the higher education sector, and its management capacity and efficiency.</p> <p>As part of the strategic support to beneficiary universities, the MoHE, and the overall Higher Education Sector, a series of consultations took place in 2009 with Chancellors, Deans, and students of various universities in Afghanistan. The last several months of 2009 project supervision and technical assistance were focused on supporting the MoHE to revitalize its sector-wide strategic planning process. The World Bank and UNESCO, with support from other stake-holders such as the USAID, formed an alliance to support the MoHE in updating its sector assessment; define other higher education stakeholders the main areas of strategic development; the MoHE was able to complete and formally launch the updated National Higher Education Strategic Plan (NHESP) in December December, 2009.</p>			
<p>Issues and Actions:</p> <ul style="list-style-type: none"> • Continue supporting the implementation of NHESP • Alignment of ARTF and IDA resources along the NHESP objectives and priorities • Sustainable improvements in project management and integrating the lessons-learned from partnerships at the university level will continue to be supported. 			



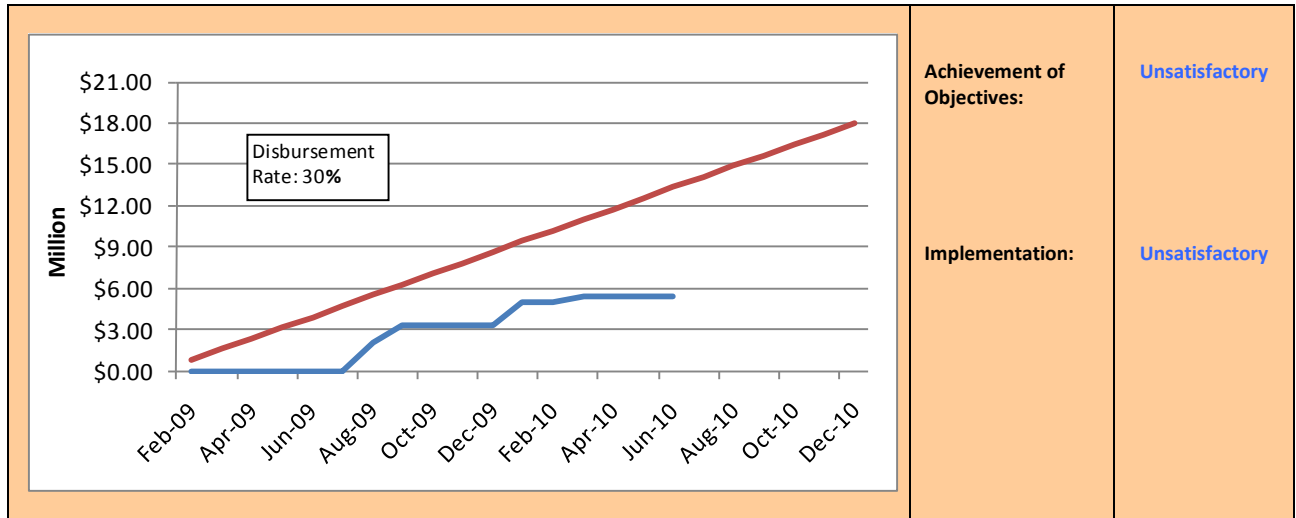
Achievement of Objectives:

Satisfactory

Implementation:

Satisfactory

11. KABUL URBAN ROADS IMPROVEMENT PROJECT (TF093632)			Contact: Mesfin Jijo
Approved: 19-Dec-08	Effective: 25-Feb-09	Closing: 31-Dec-10	mjijo@worldbank.org
Allocated: US\$18.0 million		Disbursed: US\$5.43 million	Available: US\$12.57 million
Objective: The development objective of the project is to improve traffic flow on priority corridors of the main urban roads in Kabul.			
Component 1: Improvement of the road network in Kabul. Rehabilitation of about 12 kms of existing roads; construction and rehabilitation of road side drains and walkways; construction of roundabouts at key intersections; and installation of street lights.			
Component 2: Project Management Support. Provision of support to Kabul Municipality (KM) for the preparation, design, implementation and supervision of the Project; and establishment of a Project Management Unit (PMU) within Kabul Municipality (KM) to strengthen the institutional capacity of KM.			
Implementation Progress:			
Design: The Implementation Consultant (IC) has completed the topographic survey, geotechnical investigations and submitted the design for 75 km of roads under their contract (which goes beyond the ARTF-financed roads).			
Environmental and Social Management Plan: The IC has prepared an Environmental and Social Management Plan (ESMP), which has been approved by the National Environmental Agency of Afghanistan (NEPA).			
Training and Capacity Building: The IC undertook a comprehensive winter training program in December 2008 and January 2009. The training focused on various aspects of civil engineering including four days of testing in the soils laboratory. 47 municipal staff attended the professional development course. Four days of road safety and environmental awareness training was also held for municipal and contractor staff in March 2009.			
Construction: The four civil works packages under the Project – W1, W2, W3 and W4 – valued at US\$ 13.7 million have been awarded and has now started. Physical progress to date is 21%, 41%, 12% and 15% on W1, W2, W3 and W4 respectively.			
Issues and Actions:			
<ul style="list-style-type: none"> • The Municipality and IC need to closely monitor the progress of the civil works and take corrective actions to problems as they arise. They need to proactively coordinate with the traffic police, road side businesses, and utility agencies to avoid disruptions to work. • Under the requirements of the component 2 of the project, the KM was responsible to establish a Project Management Unit (PMU) to include a Team leader, a Financial Officer and a Project Road Engineer at Kabul Municipality to oversee and manage the implementation of the project. To date, the Financial Officer and the Project City Road Engineer have been hired. KM needs to speed up the hiring process of the PMU team leader and complete the process by July 15th, 2010. 			



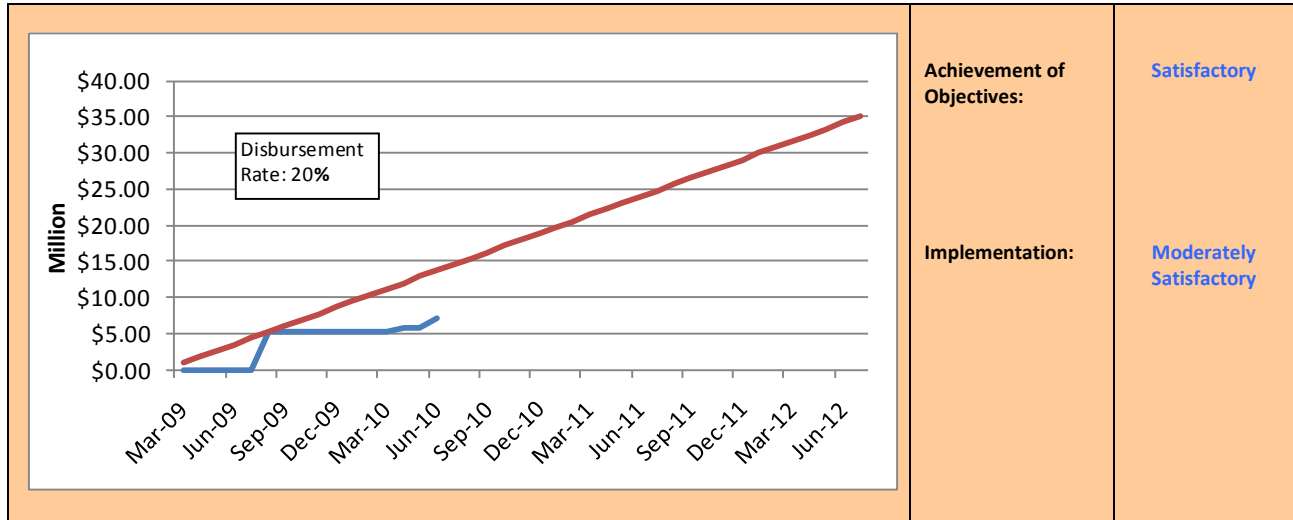
Achievement of Objectives:

Unsatisfactory

Implementation:

Unsatisfactory

12. POWER SYSTEM DEVELOPMENT PROJECT (TF093513)			Contact: Mr. Anjum Ahmad, Mr. Mohammad Anis
Approved: 19-Mar-09	Effective: 19-Mar-09	Closing: 31-Jul-12	aahmad2@worldbank.org, manis@worldbank.org
Allocated: US\$35.0 million		Disbursed: US\$7.02 million	Available: US\$27.98 million
<p>Objective Increasing access to grid power and the quantity of available power to the consumers in the target areas of the urban centers at Aybak, Pul-e-Khumri, Charikar, Gulbahar, Jabul-Seraj, Doshi and Khenjan.</p> <p>Component 1: Distribution system rehabilitation.</p> <p>Component 2: Rehabilitation of transmission switchyards associated with Naghlu, Mahipar and Saroubi hydropower stations.</p> <p>Component 3: Institutional capacity building, project management support and establishing an Energy Efficiency Unit at the Ministry of Energy and Water (MEW).</p>			
<p>The project was originally planned for US\$60 million, which was divided in two phases due to limited funds available in the ARTF. The current phase covers US\$35 million of priority works. The balance will be sought, in SY1389.</p> <p>Implementation Progress: The government signed contracts on 8 March 2009 for distribution works at Pul-e-Khumri , Charikar, Gulbahar , Jabel-es-Seraj. The contractors have completed survey and design work on rehabilitation of distribution networks for Pul-e Khumri, Charikar, Gallaher and Jabul-Seraj. One of the contractors will be assembling poles in Afghanistan. However, there has been some delay and the issue will be resolved in the coming days in consultation with MEW.</p> <p>The energy efficiency activities are ongoing with USAID providing additional finances to MEW with some international technical consultants, for the same area. ARTF funded staff is working closely with these consultants on behalf of MEW. A local outfit, Afghanistan Civil Society Forum, has been engaged to undertake a household electricity consumption survey. The survey and the data analysis are expected to be completed by end-August.</p> <p>The issues pertaining to payments to contracts have been resolved.</p>			
<p>Issues and Actions:</p> <ul style="list-style-type: none"> • Funding for the Charikar substation, agreed to be provided by the Government of India, was delayed due to a cost overrun of 15 percent. However, Government of India has confirmed that it will provide extra financing; the award of contract is awaited. • Some equipment is laying at ports which requires duty exemption certificates for customs clearance. 			



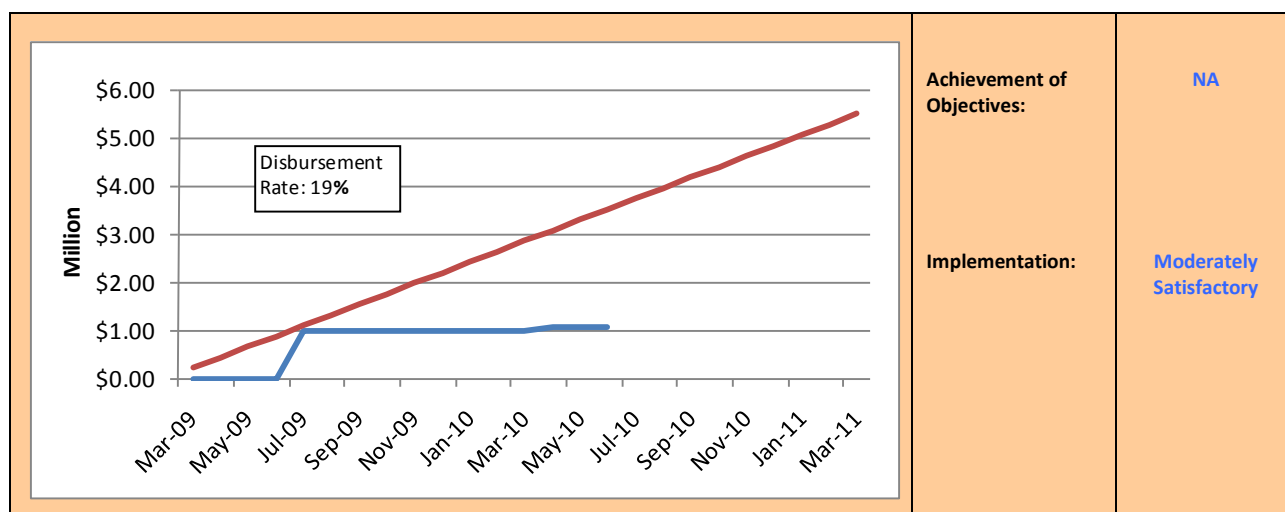
Achievement of Objectives:

Satisfactory

Implementation:

Moderately Satisfactory

13. WATER RESOURCES DEVELOPMENT TECHNICAL ASSISTANCE PROJECT (TF093637)		Contact: Sanjay Pahuja, Mohammad Arif Rasuli
Approved: 23-Mar-09	Effective: 23-Mar-09	Closing: 31-Mar-11 spahuja@worldbank.org mrasuli@worldbank.org
Allocated: US\$5.5 million	Disbursed: US\$1.07 million	Available: US\$4.43 million
<p>Objective: The development objective of the project is to build capacity to progressively undertake strategic basin planning and to improve project preparation for water resources development.</p> <p>Component 1: Capacity Building for multi-sector River Basin Planning. Component 2: Preparation of Water Resources Development Investments Component 3: Technical and Implementation Support</p>		
<p>Implementation Progress:</p> <p>The Water Resources Planning Unit (WRPU) and Project Preparation Unit (PPU) are the two units of the MEW which serve as the counterpart and focus of capacity-building under this project. The two units are now adequately staffed. Workplans and progress reports for the all the four quarters of 2009 as well as the progress report for the first quarter of the 2010 were prepared and approved by the Bank Team. The PPU and WRPU have submitted the workplan for the second quarter of 2010 and has been approved by the Bank team.</p>		
<p>Issues and Actions:</p> <ul style="list-style-type: none"> The procurement of a technical and implementation support consultant (TISC) is central to the effective implementation of the project. The short-list of firms for this consultancy has been finalized. However, only one company out of six short-listed firms has sent a proposal. The MEW has started evaluation of the proposal. The project activities on trans-boundary waters capacity-building are awaiting the nomination (by the government) of a dedicated Afghan trans-boundary waters team. 		

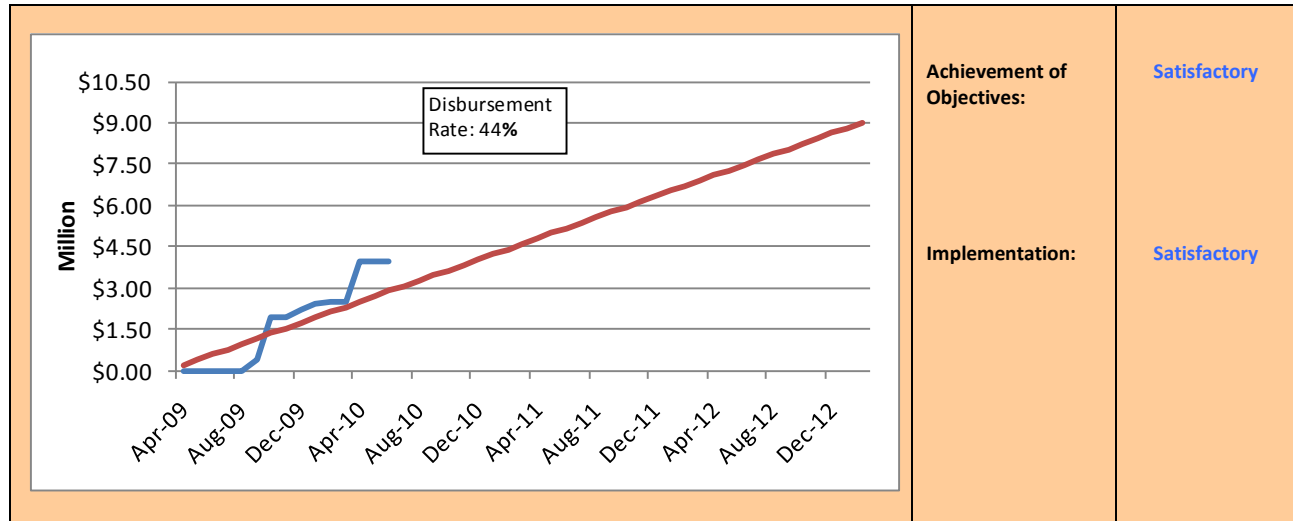


14. SKILLS DEVELOPMENT PROJECT (TF093854)			Contact: Venkatesh Sundararaman, Mostaen Jouya
Approved: 14-Apr-09	Effective: 14-Apr-09	Closing: 28-Feb-13	vsundararaman@worldbank.org mjouya@worldbank.org
Allocated: US\$9.0 million	Disbursed: US\$3.97 million	Available: US\$5.03 million	
Objective: The Project Development Objective (PDO) is to increase access to high-quality vocational education and training in the areas of Management, Administration and ICT in a manner that is equitable, efficient and sustainable.			
<p>Component 1: Develop regulatory and quality assurance framework for TVET (Technical & Vocational Education)</p> <p>Component 2: Improve relevance, quality and efficiency of TVET</p> <p>Component 3: Skill Development Program and market linkage with a rural focus</p> <p>Component 4: Research, Monitoring and Evaluation</p>			
Implementation Progress:			
<p>The Afghanistan Skills Development Program (ASDP) is supported by both IDA and ARTF. ARTF finances are being used towards component 2 of the broader program, and in particular on the development of the National Institute for Management and Administration (NIMA) in Kabul. NIMA falls under the direct administrative purview of the Deputy Ministry of Technical Vocation Education (DMTVET), Ministry of Education. This update focuses on ARTF-financed activities.</p> <p>The objective of component 2 is to establish and develop NIMA into a model TVET institution in Afghanistan. NIMA was established in 2008. The broad objectives of the Institute are to:</p> <ol style="list-style-type: none"> Offer two year diploma courses in the fields of i) Administration and Management, ii) Finance and Accounting, and iii) ICT Bring students to an advanced level of proficiency in written and spoken English Produce graduates for immediate entry into the labor market and to train lecturers and teachers for other schools and training institutes in Afghanistan Develop competency-based, modular training systems and materials in both general and specialized management for use at the Institute and other public or private training centers Provide students with a safe and supportive living and learning environment that will present multiple opportunities for personal and academic growth <p>The management and operation of NIMA was contracted to the consultancy firm in the UK, Maxwell Stamp PLC (MSP), in July 2009. The broad objectives of this two year contracted assignment are to, a) develop academic programs in the identified three sub-sectors, b) provide direct academic and teaching inputs to the students during the tenure of the assignment, c) provide internationally recognized and acceptable accreditation for the graduates of the Institute's program, d) train Afghan Teachers and Trainers, e) set academic and management standards for the Institute itself, and f) assist in managing the institution.</p> <p>Student enrollment stands at about 1790 of which 30 percent is female. About 500 students are housed in dormitories on the Jangalak campus and nearly 250 are housed in rented accommodation facilities. The Institute offers education at 13th and 14th grades and student admission is determined through an entrance examination conducted on an annual basis. There are 32 junior faculty (mostly from Pakistan) hired by MSP and 28 Afghan Assistant Lecturers (or Teacher Trainees) intended to progressively replace the foreign staff. The firm has also an operational team based at the Institute headed by a Team Leader and Senior Faculty Management staff to work closely with the Institute Director and his team and DM TVET.</p>			

Curriculum and course structure follows a modular and competency-based model for each semester. Until now, the curriculum has been developed for the 1st semester and work on the development of the curricula for the remaining semesters is ongoing. Accreditation is granted by the University of Jyvaskyla in Finland sub-contracted by MSP. All NIMA program offerings will have to be mapped on to the Afghan National Qualifications Framework (ANQF) once it is established.

Issues and Actions:

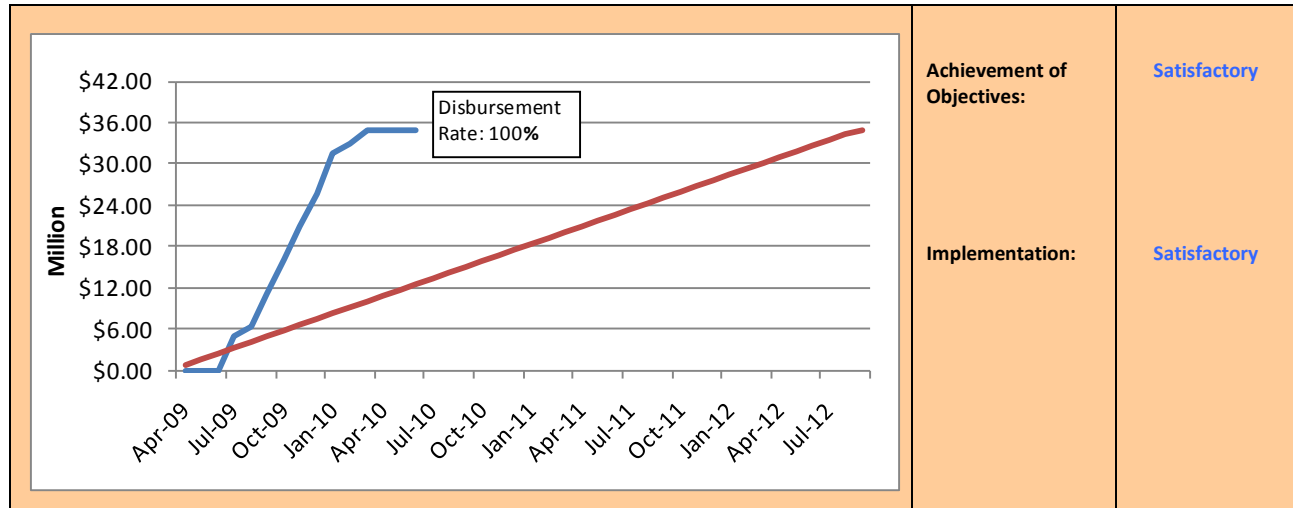
- A comprehensive assessment was conducted in December 2009 and an action plan was formulated to address the challenges and obstacles.
- A comprehensive assessment of the NIMA management structure and operations particularly in relation to the performance of the IP was conducted in March/April 2010. The assessment presented three options based on which DMTVET is monitoring the progress.
- Responsibilities for implementation of the overall ASDP are shared across MoE, MoLSAMD, MOHE as well as the office of the 1st Vice President. This arrangement has led to some management/implementation challenges, however, coordination has improved since early 2010.



15. SECOND EDUCATION QUALITY IMPROVEMENT PROGRAM (TF093962)			Contact: Samantha de Silva
Approved: 14-Apr-09	Effective: 14-Apr-09	Closing: 1-Sep-12	sdesilva@worldbank.org
Allocated: US\$35.0 million		Disbursed: US\$35.0 million	Available: US\$0.0 million
<p>Objective: The project development objective is to increase equitable access to quality basic education especially for girls through school grants, teacher training and strengthened institutional capacity with support from communities and private providers.</p>			
<p>Component 1: School Grants (IDA US\$8.7 million, ARTF US\$13.1 million, Others US\$55.0 million) Component 2: Teacher and Principal Training and Education (IDA US\$16.7 million, ARTF US\$32.0 million, and USAID US\$22 million, others US\$24.9 million) Component 3: Project Management, Monitoring and Evaluation (IDA US\$4.6 million, ARTF US\$5.0 million, Others US\$4.7)</p>			
<p>Implementation Progress: EQUIP is a national education program under the Ministry of Education and is being implemented in all 34 provinces of Afghanistan. The second phase of EQUIP became effective in March 2008 with added emphasis on alignment, harmonization and capacity building for the implementation of the National Education Strategic Plan (NESP) of Afghanistan.</p> <p>Funds are used directly by communities through School Shuras for the rehabilitation or construction of school buildings and for accessing quality inputs, such as teaching and learning materials. The School Shuras are functioning in all provinces, and, as of now, 10,172 out of 12,000 schools have these Shuras. Shuras are assisted by the Provincial Education Departments, NGOs and District Educational Departments in all 34 provinces.</p> <p>EQUIP II supports the District Teacher Training Program in 23 provinces (the 11 other provinces are supported by the USAID). It also provides regional allowances for lecturers in 730 Teacher Training Centers (TTC) as well as scholarships for 2750 girls to attend Teacher Training Colleges for two years, following which they are to join the teaching force in their local communities. It also supports the monitoring and evaluation of NESP (National Education Strategic Plan) programs, including the Education Management Information System at the Ministry of Education.</p> <p>It is envisaged that by the close of the two projects in 2012, some 1,592 schools will have been built; 10,172 School Shuras will be formed and active, with 1,828 more Shuras to be formed; over 110,000 teachers and around 9000 school administrators trained; 2750 girls in 25 provinces receiving scholarships to complete their two-year studies at TTC; and 750 qualified lecturers recruited in 18 provinces.</p>			
<p>Issues and Actions:</p> <ul style="list-style-type: none"> • Technical Assistance: EQUIP has financed approximately 500 individual technical assistance contracts in the ministry. The MOE has set up a review of technical assistance and has appointed a committee to align the utilization of technical assistance with the capacity building and institutionalization development of key institutions in the MOE for long term sustainability. • Security: The MOE is elaborating strategies to guarantee the safety of students. EQUIP will also need to adjust some of its education service delivery mechanisms. Maintaining the community-based management of schools approach will remain an important strategy. • Donor coordination: Improved donor harmonization mechanisms have been put in place, and the National Education Strategic Plan's (NESP) indicators are being updated, to improve alignment, monitoring and evaluation. EQUIP's own indicators will continue to align with NESP's goals. • Fiduciary: Fiduciary (Financial and Procurement) management improvement will continue to be 			

supported, in the new institutionalized structures of the MOE (rather than in separate/parallel implementation units).

- **Monitoring & Evaluation: Focus on strengthening M & E will be an essential component of the additional resources provided through ARTE**



Achievement of Objectives:

Satisfactory

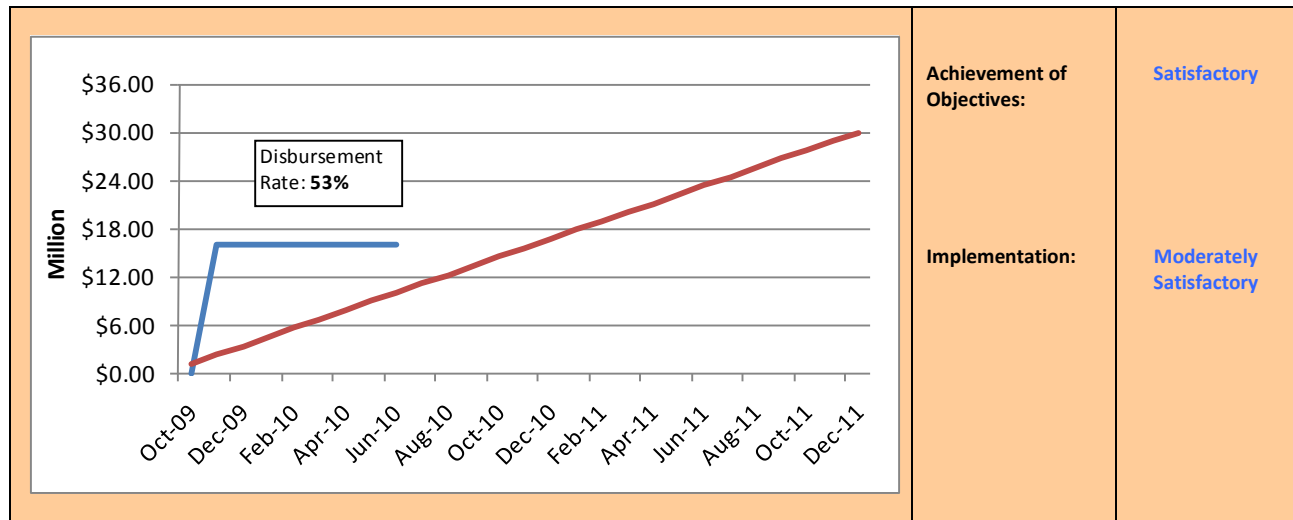
Implementation:

Satisfactory

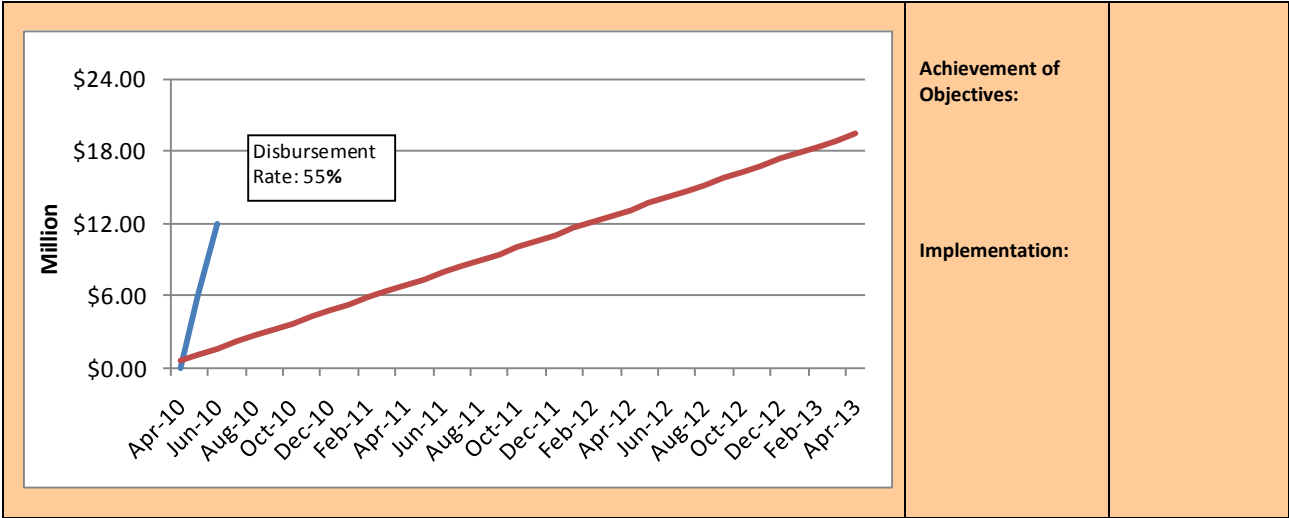
16. NATIONAL EMERGENCY RURAL ACCESS PROJECT (TF095297)			Contact: Mr. Mesfin Wodajo Jijo
Approved: 20-Oct-09	Effective: 20-Oct-09	Closing: 31-Dec-11	mjijo@worldbank.org
Allocated: US\$30.0 million		Disbursed: US\$16.0 million	Available: US\$14.0 million
<p>Objective: The Afghanistan National Emergency Rural Access Project objective is to provide year-round access to basic services and facilities in the rural areas of Afghanistan covered by the project. This will be achieved through rehabilitation and maintenance of rural access infrastructure by contracting with the private sector and, to a lesser extent, with communities.</p>			
<p>Component 1: Improvement of secondary roads by the Ministry of Public Works (MPW)</p> <p>Component 2: Improvement of tertiary roads by the Ministry of Rural Rehabilitation and Development (MRRD)</p> <p>Component 3: Institutional strengthening, project management, and program development</p>			
<p>Implementation Progress:</p> <p>NERAP is a follow-on project supporting the broader government program: National Rural Access Program. ARTF has provided over US\$50 million to NRAP's previous phase. The project is implemented by two agencies: Ministry of Public Works (MPW) and Ministry of Rural Rehabilitation and Development (MRRD), with support from an Implementation Consultant (IC), the United Nation Office for Project Services (UNOPS).</p> <p>Works have only recently begun under the second phase of the project.</p> <p>Component 1 is implemented by MPW and supports the improvement of about 176 km of roads packaged into 15 contracts. The grant amount allocated to this component is US\$23.5 million.</p> <p>Component 2 is implemented by MRRD and supports the improvement of about 190 km of roads packaged into 16 roads and bridges contracts. The grant amount allocated to this component is US\$6.5 million.</p> <p>Depending on the degree of the environmental and social impact of each sub project, mitigation measures are prepared as part of the design process, and will be implemented on the ground.</p> <p>Component 3 of the project, fully financed by the World Bank, seeks to build the capacity of the implementing institutions, as well as contractors and communities engaged in the project.</p>			

Issues and Actions:

- **Cost overrun:** Current funding will not cover the cost of the subprojects. The cost of the over-runs could be between US\$90-100 million. Further financing will be required from the ARTF to cover the additional costs.
- **Capacity of delivery:** the project implementation capacity however has been improved significantly throughout the past years, still not sufficient to achieve the targets set in the initial plan. The project is behind schedule and there is need to improve the delivery and implementation process.
- **Scaling-up:** as NRAP is identified as one of the Government’s national priority programs, more resources are likely to be required for scale up. There will be a need for capacity building commensurate with the scaled up project. In view of this the implementing ministries coordinated by NCU have prepared a draft investment plan and submitted to the Agriculture and Rural Development Cluster.



17. Strengthening Health Activities for the Rural Poor (SHARP) (TF096362)			Contact: Inaam Haq
Approved: 11-Apr-10	Effective: 11-Apr-10	Closing: 30-Sept-13	ihq@worldbank.org
Allocated: US\$22.0 million	Disbursed: US\$12 million	Available: US\$10 million	
<p>Objective: The development objective of the project is to support the government in achieving the Health Nutrition Sector Strategy goal to “contribute to improving the health and nutritional status of the people of Afghanistan, with a greater focus on women and children and under-served areas of the country”. The project provides strategic support to the health sector program for 2009-2013 by (1) financing the delivery of basic services in 11 provinces, (2) providing advice on the development of a hospital policy, (3) maintaining the support to MOPH stewardship functions, particularly to monitoring and evaluation; and (4) leading an innovative results-based financing pilot to further increase utilization of services.</p>			
<p>Component 1: Sustaining and strengthening the Basic Package of Health Services (BPHS) Component 2: Strengthening the delivery of the Essential Package of Hospital Services Component 3: Strengthening MOPH stewardship functions Component 4: Piloting Innovations (no ARTF support)</p>			
<p>Implementation Progress: SHARP finances provision of the Basic Package of Health Services in eight provinces (Helmand, Farah, Badghis, Nimroz, Samagan, Balkh, Wardak, and Saripul) through national and international NGOs contracted out by Ministry of Public Health (MoPH). So far the MoPH has signed contracts with five NGOs in seven provinces while the remaining three provinces are managed by MOPH. A contract for the Wardak province has been re-advertised and likely to be awarded by September 2010. Implementation has just been initiated for an innovative results-based financing (RBF) mechanism to improve coverage and quality of services in health facilities.</p> <p>Overall project performance is satisfactory in the first year ensuring continuation of basic package of health services (BPHS) in targeted provinces. Competent NGOs have been selected and are now operating in seven of the eight provinces. The transition between old and new NGOs on the ground has been smooth with exception of minor issues related to staff retention.</p> <p>The National Risk and Vulnerability Assessment 2007/08 indicate good progress in reducing infant and under-five mortality. Health service utilization increased among project area populations from a rate of 0.3 consultations per capita annually at the outset to 1.64 per capita by the mid 2009. All other indicators including the number of deliveries assisted in facilities by trained health workers, number of pregnant women who received at least one prenatal care visit, Child immunization rates have improved.</p>			
<p>Issues and Actions:</p> <ul style="list-style-type: none"> • The remaining contract for provision of BPHS services in Wardak province has faced delays as negotiations failed with NGOs. MOPH has now readvertised the contract and it is expected that the contract will be signed by September 2010. • The third party monitoring and evaluation is in the field undertaking health facility assessment with the final report is expected by September 2010. 			



ANNEX 2: ARTF Recurrent Cost Financing

ARTF Fiduciary Framework:

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 25 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 operating 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:

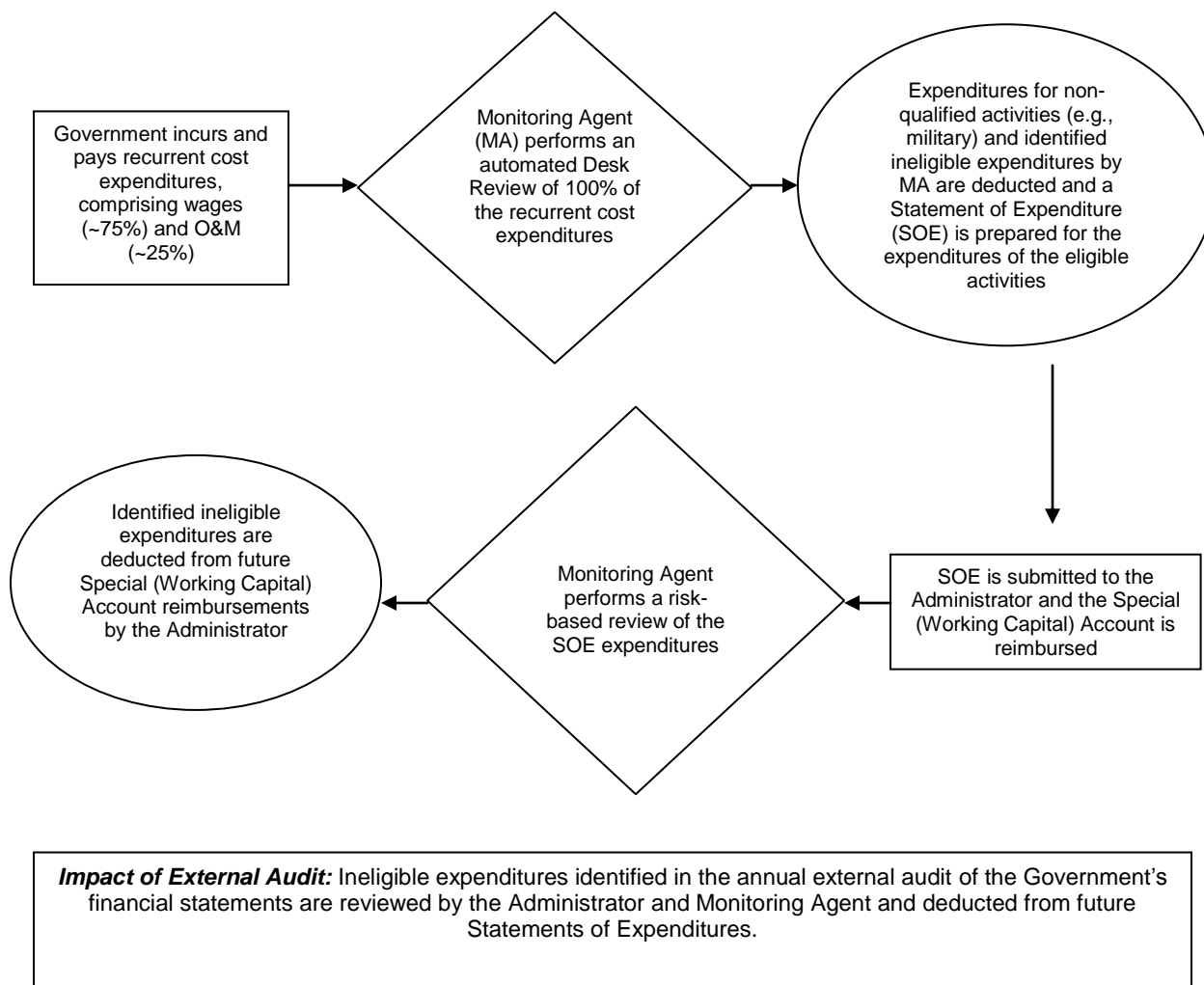
- Government of Afghanistan (GoA) standards
- ARTF Provisions (Legal agreement/Grant Agreement)
- Fiduciary Standards (efficiency standards set by the Administrator)

Non-compliance with any of the above-mentioned sets of standards renders 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 five 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.

Figure 25: 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 MTF (Medium-Term Fiscal Framework) as of January 2009 the government will be able to cover 79 percent of operating expenditures in 2013/14. Therefore, ARTF remains a critical part of the government's fiscal sustainability, reimbursing a major component of non-security related costs. The annual budget is first approved by the Cabinet and, since SY1385, subsequently by the National Assembly. From SY1388 onwards, the ceiling for ARTF recurrent cost reimbursements is set according to the ARTF Incentive Program. This program envisages an automatic annual decline in guaranteed resources through the recurrent cost window, with an additional incentive top-up, based on the government's performance against reform benchmarks.

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 World Bank”) prohibit the World Bank from involvement in the political affairs of its member countries. In addition, the Articles of Agreement spell out the purposes of the World Bank, which purposes have been interpreted by the World Bank’s Board of Executive Directors not to permit involvement in military or security related activities of member countries. The World Bank in its capacity as the trustee of the ARTF is guided by the overall purposes of the World 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 World Bank’s mandate and would violate the political involvement prohibition.

What kinds of recurrent costs are financed by the ARTF?

Government’s recurrent expenses are reimbursed by the ARTF as long as they adhere to the ARTF grant agreement, government's financial management regulations and the fiduciary standards agreed with the government. To date, approximately 74 percent of recurrent costs have been for payroll expenses and 26 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.

How does the World 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 World Bank follows up with the government and the MA on audit findings. The most recent audit covering SY1387 (March 21, 2008 – March 20, 2009), has been received by the Administrator and it has been shared with the donors along with Administrator’s comments. Responses to audit findings will be received from MoF shortly. Audit preparations for SY1388 are underway.

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 World Bank, or with the ARTF grant agreement would be ineligible. When an expenditure is found to be ‘ineligible’ it does not necessarily imply misuse or wrongdoing.

How does the ARTF finance the government’s operating budget?

The ARTF has provided an advance of US\$50 million. The government uses this to finance its operating 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?

Improvements have been made in the government's compliance with agreed fiduciary standards, as well as with the financial management. The World Bank is providing capacity-building support to all the ministries on compliance with the new Procurement Law. However, the confusion with change in the procurement law in SY 1387 has impacted compliance.

3. Financial Management in the National Government

Audit of SY1386 & SY1387: SY 1386 audited financial statements for the recurrent cost and investment trust funds were presented to the Administrator in June 2009. The Administrator found the reports acceptable and circulated it to the donors along with administrator's review of audit report. The belated start of the SY 1386 audit work by the CAO with support of the audit firm shifted the timetable for carrying out and completing the SY1387 audits which were due on September 22, 2009. The Bank received the final batch of audits on 21 January 2010.

Public Financial Management: Over the last three years the government has 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 has also developed.

Procurement Management: The government established a central facility for procurement that has finalized more than 673 contracts, with a total value above US\$1.8 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 2009. This capacity is to work to a recognized standard and it is undertaking to clarify its mandate for carrying out internal audit across government.

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 was 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 110,000 in 2009. On “procurement”, the Procurement Policy Unit (PPU) was established in August 2006 and Rules of Procedures for Public Procurement was issued in April 2007 and training in public procurement has been delivered to over 1000 procurement staff from the line ministries, including from 6 provinces.
- **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 twelve provinces and planned for twelve more provinces. 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 have 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.

ANNEX 3:

ARTF Financial Tables

The tables below show the financial situation of ARTF at June 21, 2010. 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)

June 21, 2010

Donor	SY 1381	SY 1382	SY 1383	SY 1384	SY 1385	SY 1386	SY 1387	SY 1388	SY 1389					SY 1381-89	SY 1381-89	SY 1381-89	SY 1381-89
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Signed	Un-signed	Total	% of Total	Total	% of Total	Total	% of Total
	Paid-in	Paid-in	Paid-in	Paid-in	Paid-in	Paid-in	Paid-in	Paid-in	Paid-in	Pledges	Pledges	SY 1389	SY 1389	Total	% of Total	Paid-in	Paid-in
Australia	0.00	2.63	6.27	7.65	5.84	2.09	31.44	14.99	19.04	3.53	3.53	26.11	3.5%	97.03	2.2%	89.96	2.4%
Bahrain	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	0.50	0.0%	0.50	0.0%
Belgium	0.00	0.00	0.00	0.00	0.00	0.00	2.61	2.72	0.00	2.48	0.00	2.48	0.3%	7.80	0.2%	5.32	0.1%
Brazil	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.0%	0.20	0.0%	0.20	0.0%
Canada	12.00	50.09	5.49	72.34	58.86	213.46	22.07	34.22	26.65	0.00	0.00	26.65	3.6%	495.19	11.3%	495.19	13.3%
Denmark	5.00	5.00	3.16	3.92	4.34	8.43	20.86	10.25	0.00	0.00	0.00	0.00	0.0%	60.96	1.4%	60.96	1.6%
EC/EU	15.87	52.72	47.60	58.77	52.72	73.62	11.31	14.19	0.00	0.00	2.71	2.71	0.4%	329.51	7.5%	326.80	8.8%
Finland	2.79	2.45	5.95	0.00	2.42	5.40	7.91	8.86	0.00	0.00	7.44	7.44	1.0%	43.22	1.0%	35.79	1.0%
France	0.00	0.00	0.00	0.00	0.00	0.00	5.13	5.72	0.00	0.00	0.00	0.00	0.0%	10.85	0.2%	10.85	0.3%
Germany	10.07	11.44	15.94	1.23	20.47	55.99	74.00	50.85	0.00	0.00	0.00	0.00	0.0%	239.99	5.5%	239.99	6.5%
India	0.20	0.20	0.00	0.40	0.20	0.20	0.19	0.20	0.00	0.01	0.00	0.01	0.0%	1.60	0.0%	1.59	0.0%
Iran, Islamic Repu	0.00	0.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	0.99	0.0%	0.99	0.0%
Ireland	1.00	1.70	1.81	0.61	1.28	1.46	1.58	2.78	2.54	0.00	0.00	2.54	0.3%	14.75	0.3%	14.75	0.4%
Italy	17.00	0.00	6.54	0.00	9.22	8.80	34.07	4.10	0.00	1.24	0.00	1.24	0.2%	80.98	1.9%	79.74	2.1%
Japan	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	5.00	0.1%	5.00	0.1%
Korea, Republic of	2.00	2.00	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	6.00	0.1%	6.00	0.2%
Kuwait	5.00	5.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	15.00	0.3%	15.00	0.4%
Luxembourg	1.00	0.00	0.00	0.61	1.56	1.07	1.14	1.14	0.00	0.99	0.00	0.99	0.1%	7.50	0.2%	6.51	0.2%
Netherlands	33.67	41.15	46.41	29.66	50.81	39.76	39.46	41.90	0.00	0.00	37.80	37.80	5.1%	360.62	8.3%	322.82	8.7%
New Zealand	0.00	0.00	0.00	0.00	0.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	0.63	0.0%	0.63	0.0%
Norway	6.82	29.63	9.91	22.54	23.22	30.98	31.47	38.36	0.00	36.27	0.00	36.27	4.9%	229.20	5.2%	192.94	5.2%
Poland	0.00	0.00	0.00	0.00	0.29	0.27	1.17	1.20	0.00	0.00	0.00	0.00	0.0%	2.93	0.1%	2.93	0.1%
Portugal	0.00	0.46	0.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	1.18	0.0%	1.18	0.0%
Russian Federation	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	0.00	0.00	0.00	0.00	0.0%	4.00	0.1%	4.00	0.1%
Saudi Arabia	10.00	5.00	5.00	0.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	25.00	0.6%	25.00	0.7%
Spain	0.00	0.00	0.00	0.00	0.00	22.04	0.00	35.22	0.00	0.00	13.63	13.63	1.8%	70.89	1.6%	57.26	1.5%
Sweden	3.10	5.98	25.90	12.84	14.68	20.18	18.35	25.35	0.00	0.00	18.23	18.23	2.5%	144.62	3.3%	126.39	3.4%
Switzerland	0.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	0.67	0.0%	0.67	0.0%
Turkey	0.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	0.50	0.0%	0.50	0.0%
UNDP	0.00	2.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0%	2.41	0.1%	2.41	0.1%
United Kingdom	15.08	47.10	103.06	131.47	128.49	151.05	162.54	99.05	23.72	0.00	0.00	23.73	3.2%	861.57	19.7%	861.56	23.2%
United States	38.00	20.00	89.59	62.00	73.90	0.00	159.50	264.00	15.00	0.00	525.00	540.00	73.0%	1246.99	28.5%	721.99	19.4%
TOTAL	184.77	286.46	380.37	404.05	453.92	634.80	626.82	657.29	86.95	44.52	608.35	739.82	100.0%	4368.30	100.0%	3715.43	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 2 - Expressed Donor Preferences By Projects

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

June 21, 2010

Donor	Curr	Program	TF no. / Program ID	SY 1381	SY 1382	SY 1383	SY 1384	SY 1385	SY 1386	SY 1387	SY 1388	SY 1389				SY 1381-89			
				Paid-in US\$	Paid-in US\$	Paid-in US\$	Paid-in US\$	Paid-in US\$	Paid-in US\$	Paid-in US\$	Paid-in US\$	Pledged Own Curr.	Pledged US\$ Est.	Paid-in Own Curr.	Paid-in US\$	Total SY 1389	Expressed Preference	Of which Paid-in	
Sweden	SEK	Afghanistan Rural Enterprise Development Project	TF000016	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.00	2.60	0.00	0.00	2.60	2.60	0.00	
United Kingdom	GBP	Afghanistan Rural Enterprise Development Project	TF000016	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.50	13.10	13.10	13.10	13.10	
		Total Afghanistan Rural Enterprise Development Project		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.00	2.60	8.50	13.10	15.71	15.71	13.10	
Norway	NOK	Civil Service Capacity Building	TF053940	0.00	0.00	2.92	3.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.02	6.02
United States	USD	Civil Service Capacity Building	TF053940	0.00	0.00	4.30	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.30	4.30
		Total Civil Service Capacity Building		0.00	0.00	7.22	3.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.32	10.32
Australia	AUD	Education - EQUIP	TF054730	0.00	0.00	0.00	0.00	0.00	0.00	7.62	1.78	1.00	0.88	2.00	1.81	2.70	12.10	11.22	
Canada	CAD	Education - EQUIP	TF054730	0.00	0.00	0.00	0.00	0.00	29.80	0.00	9.29	0.00	0.00	11.50	11.44	11.44	50.53	50.53	
Germany	EUR	Education - EQUIP	TF054730	0.00	0.00	0.00	0.00	0.00	0.00	15.72	13.69	0.00	0.00	0.00	0.00	0.00	29.41	29.41	
Netherlands	EUR	Education - EQUIP	TF054730	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.50	6.82	0.00	0.00	6.82	6.82	0.00	
Netherlands	USD	Education - EQUIP	TF054730	0.00	0.00	0.00	0.00	0.00	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.00	4.00	
Norway	NOK	Education - EQUIP	TF054730	0.00	0.00	4.61	0.00	0.00	5.13	0.00	8.45	55.00	8.67	0.00	0.00	8.67	26.86	18.19	
Spain	EUR	Education - EQUIP	TF054730	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.11	0.00	0.00	0.00	0.00	0.00	2.11	2.11	
United States	USD	Education - EQUIP	TF054730	0.00	0.00	0.00	0.00	0.00	0.00	12.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00	12.00	
		Total Education - EQUIP		0.00	0.00	4.61	0.00	0.00	38.93	35.34	35.34	61.50	16.37	13.50	13.26	29.63	143.84	127.46	
Canada	CAD	Horticulture and Livestock Program	TF091885	0.00	0.00	0.00	0.00	0.00	3.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.53	3.53	
United Kingdom	GBP	Horticulture and Livestock Program	TF091885	0.00	0.00	0.00	0.00	0.00	1.98	4.16	0.00	0.00	0.00	3.00	4.55	4.55	10.69	10.69	
		Total Horticulture and Livestock Program		0.00	0.00	0.00	0.00	0.00	5.51	4.16	0.00	0.00	0.00	3.00	4.55	4.55	14.22	14.22	
Canada	CAD	Justice Sector Reform Project	TF092160	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	0.00	0.00	1.30	1.28	1.28	4.28	4.28	
EC/EU	EUR	Justice Sector Reform Project	TF092160	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.19	0.00	0.00	0.00	0.00	0.00	14.19	14.19	
Italy	EUR	Justice Sector Reform Project	TF092160	0.00	0.00	0.00	0.00	0.00	0.00	14.79	0.00	0.00	0.00	0.00	0.00	0.00	14.79	14.79	
Norway	NOK	Justice Sector Reform Project	TF092160	0.00	0.00	0.00	0.00	0.00	0.00	2.10	2.32	0.00	0.00	0.00	0.00	0.00	4.42	4.42	
United Kingdom	GBP	Justice Sector Reform Project	TF092160	0.00	0.00	0.00	0.00	0.00	0.00	4.90	0.00	0.00	0.00	0.00	0.00	0.00	4.90	4.90	
United States	USD	Justice Sector Reform Project	TF092160	0.00	0.00	0.00	0.00	0.00	0.00	1.50	0.00	0.00	0.00	0.00	0.00	0.00	1.50	1.50	
		Total Justice Sector Reform Project		0.00	0.00	0.00	0.00	0.00	0.00	21.79	21.01	0.00	0.00	1.30	1.28	1.28	44.08	44.08	
United Kingdom	GBP	Management Capacity Program	TF090077	0.00	0.00	0.00	0.00	0.00	0.00	7.39	0.00	0.00	0.00	1.00	1.52	1.52	8.90	8.90	
United States	USD	Management Capacity Program	TF090077	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00	
		Total Management Capacity Program		0.00	0.00	0.00	0.00	0.00	0.00	8.39	0.00	0.00	0.00	1.00	1.52	1.52	9.90	9.90	
Australia	AUD	Microfinance for Poverty Reduction	TF052452	0.00	0.00	0.00	0.00	0.78	1.04	4.76	1.43	0.00	0.00	0.00	0.00	0.00	8.01	8.01	
Canada	CAD	Microfinance for Poverty Reduction	TF052452	0.00	4.71	5.49	12.85	24.16	38.83	5.41	4.47	0.00	0.00	0.00	0.00	0.00	95.93	95.93	
Denmark	DKK	Microfinance for Poverty Reduction	TF052452	0.00	0.00	0.00	1.63	2.11	1.47	6.40	3.03	0.00	0.00	0.00	0.00	0.00	14.63	14.63	
Finland	EUR	Microfinance for Poverty Reduction	TF052452	0.00	0.00	0.00	0.00	0.00	1.37	2.22	2.22	2.25	2.79	0.00	0.00	2.79	8.59	5.80	
Netherlands	USD	Microfinance for Poverty Reduction	TF052452	0.00	0.00	0.00	0.00	0.00	2.50	0.00	5.30	0.00	0.00	0.00	0.00	0.00	7.80	7.80	
Sweden	SEK	Microfinance for Poverty Reduction	TF052452	0.00	0.00	2.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.22	2.22	
United Kingdom	GBP	Microfinance for Poverty Reduction	TF052452	0.00	0.00	3.78	14.54	9.31	9.85	27.45	0.00	0.00	0.00	0.00	0.00	0.00	64.93	64.93	
United States	USD	Microfinance for Poverty Reduction	TF052452	0.00	0.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00	5.00	
		Total Microfinance for Poverty Reduction		0.00	4.71	16.49	29.01	36.37	55.05	46.25	16.44	2.25	2.79	0.00	0.00	2.79	207.11	204.32	
Australia	AUD	National Emergency Rural Access Project	TF050973	0.00	0.00	0.00	0.00	0.78	0.00	4.76	0.71	0.00	0.00	0.00	0.00	0.00	6.26	6.26	
Canada	CAD	National Emergency Rural Access Project	TF050973	0.00	0.00	0.00	0.00	1.28	3.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.64	4.64	
EC/EU	EUR	National Emergency Rural Access Project	TF050973	0.00	0.00	0.00	0.00	0.00	0.00	11.31	0.00	2.19	2.71	0.00	0.00	2.71	14.03	11.31	
Spain	EUR	National Emergency Rural Access Project	TF050973	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.45	0.00	0.00	0.00	0.00	0.00	8.45	8.45	
United Kingdom	GBP	National Emergency Rural Access Project	TF050973	0.00	0.00	0.00	18.24	13.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	32.15	32.15	
United States	USD	National Emergency Rural Access Project	TF050973	0.00	0.00	0.00	2.00	0.00	0.00	21.00	0.00	0.00	0.00	0.00	0.00	0.00	23.00	23.00	
Australia	AUD	National Emergency Rural Access Project	TF095297	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	2.72	2.72	2.72	2.72	
Spain	EUR	National Emergency Rural Access Project	TF095297	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.50	4.34	0.00	0.00	4.34	4.34	0.00	
		Total National Emergency Rural Access Project		0.00	0.00	0.00	20.24	15.96	3.36	37.08	9.17	5.69	7.05	3.00	2.72	9.77	95.58	88.53	
Australia	AUD	National Solidarity Program	TF090205	0.00	0.00	0.00	0.00	0.78	0.00	9.53	1.43	1.00	0.88	2.00	1.81	2.70	14.43	13.55	
Belgium	EUR	National Solidarity Program	TF090205	0.00	0.00	0.00	0.00	0.00	0.00	1.30	1.36	1.00	1.24	0.00	0.00	1.24	3.90	2.66	
Canada	CAD	National Solidarity Program	TF090205	0.00	10.98	0.00	14.34	17.83	77.24	9.99	8.05	0.00	0.00	9.00	8.95	8.95	147.39	147.39	
Denmark	DKK	National Solidarity Program	TF090205	0.00	0.00	0.00	0.00	0.00	3.66	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.66	3.66	
EC/EU	EUR	National Solidarity Program	TF090205	0.00	0.00	9.69	21.57	13.18	22.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	66.52	66.52	
Finland	EUR	National Solidarity Program	TF090205	0.00	0.00	0.00	0.00	0.00	1.37	1.74	2.22	2.25	2.79	0.00	0.00	2.79	8.11	5.32	
Germany	EUR	National Solidarity Program	TF090205	0.00	0.00	6.13	0.00	0.00	22.40	23.31	14.86	0.00	0.00	0.00	0.00	0.00	66.70	66.70	
Norway	NOK	National Solidarity Program	TF090205	0.00	0.00	0.00	3.10	9.02	10.73	4.26	4.74	30.00	4.73	0.00	0.00	4.73	36.58	31.85	
Spain	EUR	National Solidarity Program	TF090205	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.04	2.00	2.48	0.00	0.00	2.48	9.52	7.04	
Sweden	SEK	National Solidarity Program	TF090205	0.00	0.00	0.00	0.00	0.00	3.67	5.24	5.84	6.85	0.00	0.00	0.00	0.00	21.60	21.60	
United Kingdom	GBP	National Solidarity Program	TF090205	0.00	5.72	0.00	16.39	9.31	30.25	0.00	0.00	0.00	0.00	3.00	4.55	4.55	66.24	66.24	
United Kingdom	USD	National Solidarity Program	TF090205	0.00	0.00	0.00	0.00	0.00	0.00	13.44									

Table 3 - ARTF Commitments & Disbursements

As of: June 21, 2010

(US\$ million)

	Comm SY 1381	Disbursed SY 1381	Comm SY 1382	Disbursed SY 1382	Comm SY 1383	Disbursed SY 1383	Comm SY 1384	Disbursed SY 1384	Comm SY 1385	Disbursed SY 1385	Comm SY 1386	Disbursed SY 1386	Comm SY 1387	Disbursed SY 1387	Comm SY 1388	Disbursed SY 1388	Comm YTD SY 1389	Disbursed YTD SY 1389	SY1381-89 Total Committed (g)	21-Jun-10 Total Disbursed (h)	Last Month Disbursed	Available (g) - (h)	Disb. Rate (h) / (g)	
TF050577 - Recurrent & Capital Costs Component																								
Wages		40.95		145.77		179.32		174.21		216.20		203.00		276.74		148.31		50.00		1434.50	0.00		-	
O&M		13.65		51.16		55.28		79.04		84.01		87.55		33.32		73.11		18.96		496.09	0.00		-	
Debt Service, IMF		0.77		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.77	0.00		-	
Debt Service, IDA		2.77		3.87		0.00		0.00		0.00		0.00		0.00		0.00		0.00		6.64	0.00		-	
Debt Service, ADB		0.00		0.56		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.56	0.00		-	
Bulk Contracts		1.07		12.78		0.56		0.00		0.00		0.00		0.00		0.00		0.00		14.41	0.00		-	
Disbursements(A)		59.21		214.14		235.16		253.25		300.21		290.55		310.06		221.42		68.96		1952.96	0.00			
Special Account(Opening) Balance (B)		0.00		51.50		50.60		50.00		50.00		50.00		50.00		50.00		50.00		50.00	50.00			
Loan Account commitments and disbursements (C)	155.00	110.71	195.00	213.25	258.00	234.55	280.00	253.25	299.00	300.21	286.00	290.55	316.00	310.06	290.00	221.42	0.00	68.96	2079.00	2002.96	0.00	76.04	96%	
Updated Special Account Balance *		51.50		50.60		50.00		50.00		50.00		50.00		50.00		50.00		50.00		50.00	50.00			
TF050578 - Monitoring Agent [2]	2.00	0.67	0.78	1.41	2.31	2.64	4.64	2.16	7.00	2.53	3.50	4.80	3.14	2.84	3.00	2.39	0.00	1.25	26.37	20.69	0.00	5.67	78%	
Closed Investment Projects [3]																								
TF000003 - Basic Package of Health Services (BFHS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	
TF050855 - UNDP Police Pr. 1 & 2	4.84	4.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.84	4.84	0.00	0.00	100%	
TF050973 - National Emergency Employment Program	0.00	0.00	16.62	8.31	0.00	8.31	20.20	0.00	16.00	20.20	0.00	15.12	0.00	0.88	0.00	0.00	0.00	0.00	52.82	52.82	0.00	0.00	100%	
TF052081 - Microfinance for Poverty Reduction	0.00	0.00	1.00	0.36	0.00	0.34	0.00	0.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00	0.00	0.00	100%	
TF052366 - UNDP Police 3	0.00	0.00	16.80	16.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.80	16.80	0.00	0.00	100%	
TF052475 - Telecom & Microw ave Link	0.00	0.00	3.00	0.15	3.13	1.03	0.00	3.07	0.00	1.52	-0.12	0.24	0.00	0.00	0.00	0.00	0.00	0.00	6.01	6.01	0.00	0.00	100%	
TF052482 - Kabul Roads and Drainage System	0.00	0.00	3.00	0.00	0.00	2.91	0.00	0.00	-0.17	-0.11	-0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.80	2.80	0.00	0.00	100%	
TF052541 - Kabul Power Supply	0.00	0.00	7.44	0.00	0.00	2.90	0.00	1.51	0.00	1.40	0.00	1.03	0.00	0.26	-0.01	0.33	0.00	0.00	7.43	7.43	0.00	0.00	100%	
TF052735 - Strengthening Financial Capacity of the Government	0.00	0.00	5.10	2.05	0.00	0.26	0.00	1.38	-1.04	0.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.06	4.06	0.00	0.00	100%	
TF053939 - National Solidarity Program	0.00	0.00	0.00	0.00	27.00	26.62	70.90	47.58	58.50	82.04	12.29	12.45	0.00	0.00	0.00	0.00	0.00	0.00	168.69	168.69	0.00	0.00	100%	
TF054730 - Education - EQUIP	0.00	0.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00	0.49	27.00	6.51	12.00	29.55	0.00	7.45	0.00	0.00	44.00	44.00	0.00	0.00	100%	
Subtotal Closed Investment Projects [3]	4.84	4.84	52.96	27.66	30.13	42.36	96.10	53.85	73.29	105.92	39.14	35.36	12.00	30.69	-0.01	7.78	0.00	0.00	308.44	308.44	0.00	0.00	100%	
Current Investment Projects [4]																								
TF050970 - Technical Assistance Feasibility Studies	0.00	0.00	8.00	2.52	6.00	3.88	4.50	2.91	0.00	3.28	0.00	3.02	0.00	1.29	0.00	0.09	0.00	-0.02	18.50	16.97	0.00	1.53	92%	
TF052452 - Microfinance for Poverty Reduction	0.00	0.00	4.00	2.20	12.00	12.64	38.30	21.21	32.00	48.48	33.00	34.22	64.00	24.88	0.00	23.44	0.00	0.88	183.30	167.94	0.00	15.36	92%	
TF053940 - Civil Service Capacity Building	0.00	0.00	0.00	0.00	0.00	0.00	8.00	2.38	5.00	4.24	0.00	4.98	0.00	1.08	0.00	0.31	0.00	0.00	13.00	13.00	0.00	0.00	100%	
TF054718 - Rehabilitation of Nughlu Hydropower Plant	0.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00	0.16	0.00	0.07	0.00	6.05	0.00	2.60	0.00	0.00	20.00	8.88	0.00	11.12	44%	
TF054729 - Urban Water Supply and Sanitation	0.00	0.00	0.00	0.00	20.00	0.00	21.00	3.63	0.00	3.48	0.00	11.51	0.00	4.48	0.00	4.14	0.00	2.05	41.00	29.28	0.12	11.72	71%	
TF054447 - Rural Water Supply and Sanitation	0.00	0.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00	0.59	0.00	0.63	2.65	2.05	0.00	2.25	0.00	0.63	7.65	6.15	0.12	1.50	80%	
TF090077 - Management Capacity Program	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00	0.55	5.00	2.76	0.00	1.00	15.00	4.30	0.49	10.70	29%	
TF090205 - National Solidarity Program	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	171.50	136.32	178.00	162.39	100.00	120.63	0.00	4.52	449.50	423.87	0.00	25.63	94%		
TF091120 - Kabul-Aybak/Mazar-e-Sharif Power Project	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	57.00	0.00	14.70	0.00	9.52	0.00	2.09	57.00	26.31	1.21	30.69	46%			
TF091885 - Horticulture and Livestock Program	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.00	1.57	0.00	2.71	23.30	1.67	34.30	5.95	1.14	28.35	17%	
TF092073 - Kabul Urban Reconstruction Project	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.60	0.00	1.14	0.00	0.08	0.00	5.60	1.22	0.00	4.38	22%		
TF092160 - Justice Sector Reform Project	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27.75	0.40	0.00	3.35	0.00	0.69	27.75	4.43	0.00	23.32	16%		
TF092544 - Strengthening Higher Education Project	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00	1.00	0.00	0.35	0.00	0.00	5.00	1.35	0.00	3.65	27%		
TF093513 - Power System Development Project	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35.00	5.17	0.00	1.85	35.00	7.02	1.18	27.98	30%		
TF093632 - Kabul Urban Roads Improvement Project	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.00	0.00	0.00	5.43	0.00	0.00	18.00	5.43	0.00	12.57	20%		
TF093637 - Water Resources Development Technical Assistance Project	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.50	1.00	0.00	0.07	5.50	1.07	0.00	4.43	19%		
TF093854 - Skills Development Project	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.00	2.51	0.00	1.46	9.00	3.97	0.00	5.03	44%		
TF093962 - Second Education Quality Improvement Program	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35.00	35.00	0.00	0.00	35.00	35.00	0.00	0.00	100%		
TF095297 - National Emergency Rural Access Program	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.00	16.00	0.00	0.00	30.00	16.00	0.00	14.00	53%		
TF096362 - Strengthening Health Activities for the Rural Poor (SHARP)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22.00	12.00	22.00	12.00	12.00	6.00	10.00	55%	
Subtotal Current Investment Projects [4]	0.00	0.00	12.00	4.73	58.00	16.52	76.80	30.12	37.00	60.23	271.50	190.76	312.00	220.44	219.50	238.40	45.30	28.96	1032.10	790.14	10.25	241.96	77%	
TOTAL COMMIT & DISB. [1+2+3+4]	161.84	116.22	260.73	247.04	348.44	296.07	457.54	339.37	416.29	468.89	600.14	521.46	643.14	564.03	512.49	469.98	45.30	99.17	3445.91	3122.24	10.25	323.67	0.00	

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

Table 4 - ARTF Consolidated Sources & Uses of Funds

US\$ Mil. Report Date : June 21, 2010

	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 1388 Total Actual	SY 1389 Total Actual	SY 1389 Total Forecast ^{2,3}
SOURCES OF FUNDS (A+B)										
A. Net Donors Contributions (A1-A2)	184.24	284.38	378.77	404.09	460.00	654.25	632.69	653.92	87.31	739.32
A.1. Donors Contributions	184.77	286.46	380.37	404.05	453.92	634.80	626.82	657.29	86.95	739.82
A.2. IDA fees minus Investment Income	0.53	2.08	1.59	-0.04	-6.08	-19.44	-5.88	3.37	-0.36	0.50
B. Cash Carried-Over (=D previous year)		119.52	155.97	238.07	302.79	293.89	426.68	495.34	679.28	679.28
USES OF FUNDS (C+D)										
C. Disbursements (C1+C2+C3+C4) ¹	64.72	247.94	296.67	339.37	468.89	521.46	564.03	469.98	99.17	588.32
C.1 Recurrent window - Disbursed by DAB	59.21	214.14	235.16	253.25	300.21	290.55	310.06	221.42	68.96	285.00
Wages	40.95	145.77	179.32	174.21	216.20	203.00	276.74	148.31	50.00	
O&M	13.65	51.16	55.28	79.04	84.01	87.55	33.32	73.11	18.96	
Other	4.60	17.21	0.56	0.00	0.00	0.00	0.00	0.00	0.00	
C.2. Investment window		15.59	58.87	83.97	166.14	226.11	251.13	246.17	28.96	300.00
C.3. Pass-through to LOTFA (UNDP Police)	4.84	16.80								0.00
C.4. Fees to monitoring agent	0.67	1.41	2.64	2.16	2.53	4.80	2.84	2.39	1.25	3.32
D. Cash Balance (end-of-period) (A+B-C=D1+D2)	119.52	155.97	238.07	302.79	293.89	426.68	495.34	679.28	667.43	830.28
D.1. Committed Cash Balance:	97.12	109.91	161.68	279.85	227.24	305.93	385.03	427.54	373.67	396.64
to recurrent window special account	51.50	50.60	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
to recurrent window Trust Fund	44.29	26.04	49.49	76.24	75.03	70.48	76.42	145.00	76.04	70.00
undisbursed investment window balance		32.57	61.82	150.75	94.90	179.42	252.29	225.61	241.96	273.03
to Monitoring Agent	1.33	0.70	0.37	2.85	7.32	6.02	6.32	6.93	5.67	3.61
D.2. Unallocated Cash Balance	22.40	46.05	76.39	22.94	66.65	120.75	110.31	251.74	293.75	433.64

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

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

(3) SY1389 forecasted balance (previous balance + new commitments - disbursements) is based on projected contributions, commitments and disbursements.

(4) Unallocated cash balance refers to funds in the ARTF parent account that the MC has not formally committed. During the Solar Year they will be committed in line with priorities for ARTF funds as set out in the Afghan National development budget.