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# Afghanistan Reconstruction Trust Fund Report to Donors

*Third Quarter of the Afghan Fiscal Year 1386  
September 23, 2007 to December 21, 2007*



**Prepared by the Administrator (The World Bank)**

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



**CURRENCY EQUIVALENT**

(Effective December 21, 2007)  
 Currency Unit = Afghani (AFN)  
 US\$ 1 = 49.95 AFN

**GOVERNMENT'S FISCAL YEAR (SY1386 )**  
 March 21, 2007 - March 20, 2008

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

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## ABBREVIATIONS AND ACRONYMS

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

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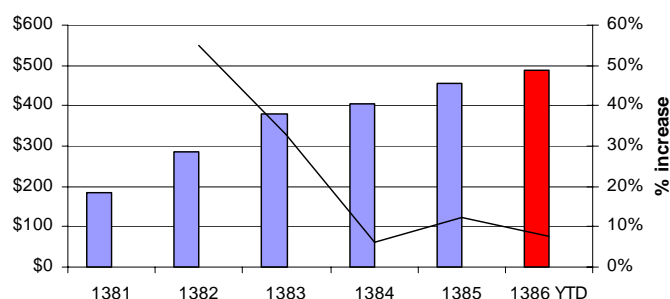
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## I – ADMINISTRATOR’S QUARTERLY SUMMARY

**Donor contributions:** This report presents the ARTF’s financial and performance status for the third quarter of SY1386 which ended on December 21, 2007. Donors have paid in US\$158 million during the quarter, an increase of 48 percent since September 2007. Total paid-in contributions for the year to date stand at US\$489 million, surpassing total contributions for SY1385. Of the total pledges for the year, 46 percent are preferenced for five national priority programs, higher than in previous years reflecting the temporary relaxation of the preferencing limit for the remainder of the solar year agreed by donors and Management in October 2007. Since inception in 2002, donors have contributed a total of US\$2.3 billion to the ARTF.

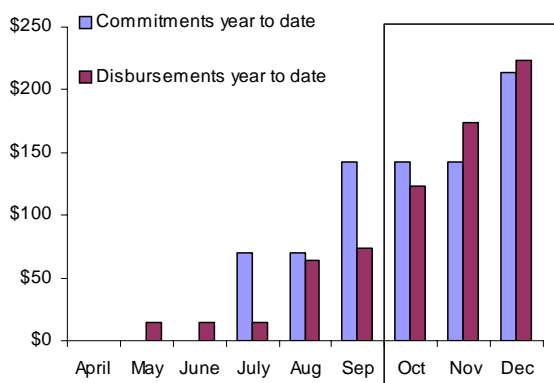
**Table 1: Donor contributions SY1381-SY1386 YTD, US\$m**



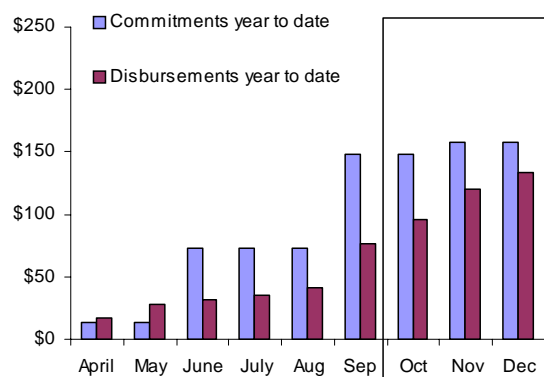
**Investment summary:** During the third quarter, ARTF financing commitments increased by US\$10 million in the investment window, reflecting the signing of the newly agreed ARTF Management Capacity Program, and by US\$72 million in the recurrent window. The ARTF investment portfolio is now financing eleven active public investment programs of the government. At the end of the quarter, the cumulative value of ARTF commitments stood at US\$394 million, of which 70 percent has been disbursed.

The ARTF disbursed US\$270 million to the Government of Afghanistan in the third quarter of SY1386, bringing cumulative disbursements to US\$ 360 million for SY1386. The bulk of disbursement in this quarter (72 percent) was through the recurrent window, for the reimbursement of the government’s eligible payroll & operating expenses. SY1386 disbursements for investment programs are projected at US\$185 million.

**Table 2: Cumulative Financing of Recurrent Costs, US\$ m**



**Table 3: Cumulative Financing of Investments, US\$ m**



**New investment approvals:** During the quarter, the Management Committee approved one new investment project: the Kabul /Aybak / Mazar power project for US\$57 million. As of December 21, 2007 funds are pending transfer and this has not yet been reflected in the committed funds amount. The

project would support investments for strengthening the low voltage distribution network through the rehabilitation and upgrade of old and dilapidated infrastructure in parts of Kabul. In addition the project seeks to improve the reliability and quality of electricity supply and services in the target areas, as well as the accountability of power utility. It will also finance the construction of a 220/20 kV substation at Aybak to provide quality, reliable and clean grid power to the residents of Aybak town.

**Key events:** On October 31, 2007 the Donor Committee met in Kabul with the Administrator and the Government to discuss the status of the fund and some key issues. The Administrator reported on the high level of donor contributions for the year, noting that early payment by donors had allowed for a more predictable pipeline of investments. Since contributions more than met the fiscal year’s agreed recurrent window financing cap, donors and the Management Committee agreed to allow greater flexibility of preferencing for the rest of the fiscal year. Donors also used the meeting to discuss the Performance Assessment Matrix. Finally, donors agreed to extend the termination date of the ARTF from 2010 to June 2020. Minutes have been circulated and are available on the ARTF website (<http://www.worldbank.org/artf>).

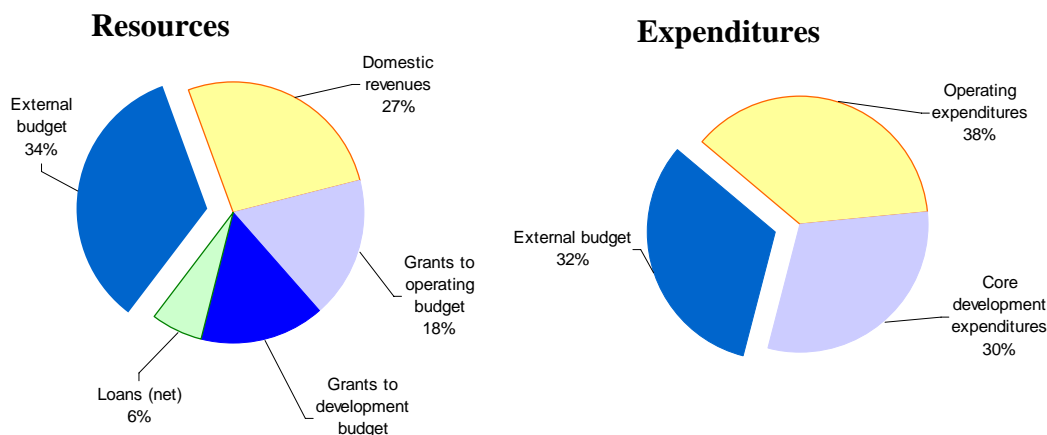
The Management Committee approved a budget for the second independent evaluation of the ARTF, due to be completed in the first quarter of SY1387. Donors commented on and agreed a terms of reference for the evaluation team that concentrates on the strategic positioning of the ARTF in the changing context of Afghanistan. The previous evaluation carried out in 2005 found the ARTF to be aligned with best practice principles for structuring and managing trust funds in post-conflict settings and aligned with the Paris Declaration “good partnership principles” for donor funding.

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

### 1. National Budget Structure

The national budget consists of a Core Budget and External Budget (Chart 1 for SY1385). The Core budget includes all funds flowing through the treasury system of the government and includes domestic revenues and the Core Operating Expenditures and Core Development Expenditures. By contrast, the External Budget includes expenditures disbursed directly by donors outside the treasury system. All ARTF disbursements utilize the treasury system and thus are reflected in the Core Budget.

**Chart 1: Structure of the National Budget (SY1385) Preliminary Realization**



Note: The chart is for the preliminary realization of the SY1385 (2006/07) and demonstrates the structure of the budget. The actual external budget expenditures may be higher due to underreporting

Source: MoF



## **2. SY1386 (March 21, 2007-March 20, 2008) Budget**

**Core Budget:** Parliament approved the SY1386 budget on April 16, 2007, almost one month after the beginning of the fiscal year – an improvement on the two and a half month delay in SY1385. The government had approved the budget on February 7 and sent it to Parliament on February 12, 2007. Although the upper house approved the budget as the government had proposed, the lower house rejected it due to low salaries paid to civil servants and inequitable allocation of core development expenditures across provinces.

The midyear review (MYR) was approved by the cabinet on November 24, 2007. The SY1386 revised budget shows the same level of revenue target (US\$715 million), which is higher by 23 percent compared to the SY1385 realization (US\$582 million). Total core expenditure is revised up by US\$281 million to US\$2,893 million. Operating expenditures are increased by US\$24 million to US\$1,072 million (SY1385 actual operating expenditures were US\$869 million). The share of operating expenditures financed by domestic revenues increased from 47 percent in SY1382 to 67 percent in SY1385, and was initially projected to remain at 67 percent in SY1386. Development expenditures are revised up by US\$257 million to US\$1,797 million from the original budget of US\$1,540 million.

## **3. SY1386 (March 21, 2007 - March 20, 2008) Budget Realization in the First Three Quarters**

**Revenues:** In the first three quarters, revenues reached US\$472 million which is below the target by US\$20 million. Custom revenues were impacted by the recent political events in Pakistan. In addition, lack of capacity in revenue collection and enforcement of law affected the performance. Revenues were US\$128 million in the first quarter (9 percent below target) and US\$311 million in the first two quarters (6 percent above target).

**Core Expenditures:** As of December 21, 2007, core budget actual expenditures reached US\$1,151 million (40 percent of the revised SY1386 budget).

In the first three quarters, operating expenditures amounted to US\$690 million and core development expenditures to US\$461 million. While operating expenditures are broadly in line with the budget (63 percent disbursements to the budget), development expenditures remain below the budget (below 26 percent disbursed so far). Although, in absolute terms, the development budget disbursements have improved significantly (US\$461 million compared to US\$347 million after ten months last year), the low disbursement remains an issue. This low disbursement ratio is mainly due to (i) implementation capacity of the government; and (ii) unrealistic budgeting of expenditures. The Ministry of Finance expects to disburse around 65 percent of the core development budget by the end of the current fiscal year.

**Table 4: Afghanistan Budget Execution (2003/4-2007/08)  
Comparison**

	2004/05 SY1383	2005/06 SY1384	2006/07 SY1385	2007/08 SY1386	% Increase SY1386 / SY1385
	----- First 3 Quarters -----				
<b>A. Domestic Revenues</b>	<b>180</b>	<b>243</b>	<b>359</b>	<b>472</b>	<b>32</b>
Tax	135	176	301	354	17
Non-Tax	45	67	57	119	108
<b>B. Expenditures</b>	<b>536</b>	<b>703</b>	<b>895</b>	<b>1,151</b>	<b>29</b>
Operating Expenditures	367	446	549	690	26
Wages and Salaries	263	288	367	467	27
Goods and Services	55	98	127	164	29
Capital Expenditure	24	30	19	10	(45)
Other	25	29	37	48	32
Development Expenditures	169	257	346	461	33
<b>C. Fiscal Deficit (before grants)</b>	<b>356</b>	<b>460</b>	<b>536</b>	<b>678</b>	<b>26</b>
<b>D. Donor Grants</b>	<b>1,115</b>	<b>592</b>	<b>267</b>	<b>382</b>	<b>43</b>
ARTF	1,005	395	99	152	55
Recurrent*	995	283	69	76	9
Investment	10	112	30	77	160
Other	110	197	169	230	36
<b>E. Fiscal Deficit (after grants)</b>	<b>73</b>	<b>88</b>	<b>79</b>	<b>237</b>	<b>201</b>

Source: MoF

A comparison between SY1386 and SY1385 after the first three quarters highlights the following:

- Domestic revenue collection has increased by 32 percent in absolute terms over the previous year in the first 3 quarters. Nevertheless, the actual collections are below the target by Afs.1 billion.
- Operating and development expenditures increased by 26 and 33 percent respectively, reflecting improvements in spending and implementation capacity within government. However, core development expenditures during the first three quarters were only US\$461 million of the revised budget for the year SY1386 of US\$1,797 million, a consequence of slower than anticipated project implementation and a budget that may have been unrealistically high.
- Fiscal deficits (before grants) increased by 26 percent, reflecting the recovery after the slow start in the spending of the recurrent and development budgets.

**Table 5: ARTF and the Core (Treasury) Budget SY1381-1387 (2002/03-2009/10)**  
(US\$ million)

In Millions of USD	SY1381	SY1382	SY1383	SY1384	SY1385	SY1386	SY1386	SY1386	SY1387	SY1388
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2007/08	First 3	2008/09	2009/10
	Actual					Budget	MYR*	Qtrs	Budget*	Proj.
<b>A. Domestic Revenues</b>	<b>129</b>	<b>208</b>	<b>269</b>	<b>416</b>	<b>581</b>	<b>715</b>	<b>715</b>	<b>472</b>	<b>888</b>	<b>1,094</b>
<b>B. Expenditures</b>	<b>342</b>	<b>645</b>	<b>874</b>	<b>1,077</b>	<b>1,567</b>	<b>2,612</b>	<b>2,893</b>	<b>1,151</b>	<b>2,667</b>	<b>2,830</b>
Operating Expenditures	342	452	558	652	863	1,072	1,096	690	1,307	1,297
Wages and Salaries	n/a	299	374	412	529	612	669	467	848	824
Goods and Services	n/a	95	110	135	248	202	256	164	222	225
Capital Expenditure	n/a	41	41	62	40	20	20	10	20	50
Other	n/a	17	32	44	47	239	151	48	218	75
Development Expenditures	-	193	317	425	704	1,540	1,797	461	1,380	1,533
<b>C. Fiscal Deficit (before grants)</b>	<b>213</b>	<b>438</b>	<b>606</b>	<b>661</b>	<b>986</b>	<b>1,897</b>	<b>2,178</b>	<b>678</b>	<b>1,780</b>	<b>1,735</b>
<b>D. Donor Grants</b>	<b>208</b>	<b>299</b>	<b>487</b>	<b>725</b>	<b>717</b>	<b>1,897</b>	<b>2,178</b>	<b>587</b>	<b>1,846</b>	<b>1,747</b>
ARTF	59	236	286	405	299	390	583	357	678	516
Recurrent	59	214	235	288	299	270	275	224	276	276
Investment	-	22	51	117		120	307	134	401	240
Other	149	63	201	320	418	1,507	1,595	230	1,168	1,231
<b>E. Fiscal Deficit (after grants)</b>	<b>5</b>	<b>139</b>	<b>119</b>	<b>(64)</b>	<b>269</b>	<b>0</b>	<b>0</b>	<b>91</b>	<b>(66)</b>	<b>(12)</b>
<b>F. Financing</b>	<b>5</b>	<b>139</b>	<b>119</b>	<b>(64)</b>	<b>269</b>	<b>0</b>	<b>0</b>	<b>91</b>	<b>(66)</b>	<b>(12)</b>
External financing (net)	n/a	100	309	107	27	146	-	596	-	135
Sale of Non-Financial Assets	n/a	-	-	56	40	115	-	-	-	249
Domestic financing (net, incl. adjsmnts)	n/a	39	(191)	(228)	202	(261)	0	(505)	(66)	(396)
<b>Memorandum Items</b>										
External budget	503	1,226	2,503	1,306	743	2,493	2,795	-	-	-
GDP	4,084	4,585	5,975	6,822	7,430	8,745	8,745	8,759	10,524	12,300
Exchange rate	45.3	49.0	47.7	49.6	50.0	50.0	50	50	50.0	50.0
Domestic revenues (% GDP)	3.2	4.5	4.5	6.1	7.8	8.2	8	5	8.4	8.9
Expenditures (% GDP)	8.4	14.1	14.6	15.8	21.1	29.9	33.1	13.1	25.3	23.0
Fiscal deficit (before grants, % GDP)	5.2	9.5	10.1	9.7	13.3	21.7	24.9	7.7	16.9	14.1

*Sales of Non-Financial Asset include the Telecom licenses sold in 1384 & 1385 (from IMF).*

\* SY1386 budget is approved by the Cabinet and prior to Parliament's approval

Source: MoF, IMF, Staff projections

#### 4. Consolidated Sources and Uses of ARTF Funds (SY1386)

Table 6 presents consolidated sources and uses of funds for ARTF as of December 21, 2007. Net donor contributions during SY1386 are projected at US\$686 million. Paid-in contributions during SY1386 reached US\$489 million in the first three quarters, while an additional US\$294 million will be carried over from previous year. During the first three quarters of SY1386, total disbursement amounted to US\$361 million (US\$134 million through the investment window, US\$224 million through the recurrent cost financing trust fund, and almost US\$3 million for the ARTF Monitoring Agent fee).

The cash balance at the end of the third quarter of SY1386 was US\$432 million, of which US\$115 million was committed to recurrent cost financing, US\$120 million committed to investment financing, and US\$8 million was reserved for the fees of the Monitoring Agent. As a result, the ARTF at the end of the third quarter of SY1386 had US\$189 million<sup>1</sup> uncommitted.

<sup>1</sup> Of this uncommitted balance, the Mazar-e-Sharif and Kabul / Aybak Project allocation of US\$ 57 million and Recurrent Cost Financing Trust Fund allocation of US\$72 million is yet to be transferred.

**Table 6: Consolidated ARTF Sources and Uses of Funds as of December 21, 2007 (in US\$ million)**

	<b>SY 1381 Total Actual</b>	<b>SY 1382 Total Actual</b>	<b>SY 1383 Total Actual</b>	<b>SY 1384 Total Actual</b>	<b>SY 1385 Total Actual</b>	<b>SY 1386 Total Actual</b>	<b>SY 1386 Total Forecast <sup>2,3</sup></b>
<b>SOURCES OF FUNDS (A+B)</b>							
<b>A. Net Donors Contributions (A1-A2)</b>	<b>184.240</b>	<b>284.382</b>	<b>378.954</b>	<b>404.094</b>	<b>459.996</b>	<b>498.680</b>	<b>685.575</b>
A.1. Donors Contributions	184.768	286.461	380.548	404.050	453.921	488.899	684.325
A.2. IDA fees minus Investment Income (5)	0.527	2.079	1.594	-0.044	-6.076	-9.781	-1.250
<b>B. Cash Carried-Over (=D previous year)</b>		<b>119.524</b>	<b>155.966</b>	<b>238.250</b>	<b>302.969</b>	<b>294.073</b>	<b>294.073</b>
<b>USES OF FUNDS (C+D)</b>							
<b>C. Disbursements (C1+C2+C3+C4) <sup>1</sup></b>	<b>64.717</b>	<b>247.940</b>	<b>296.670</b>	<b>339.375</b>	<b>468.892</b>	<b>360.261</b>	<b>480.250</b>
C.1 Recurrent window - Disbursed by DAB	59.212	214.144	235.155	253.248	300.213	223.674	290.500
Wages	40.953	145.769	179.321	174.213	216.199	158.169	
O&M	13.655	51.164	55.277	79.035	84.015	65.506	
Other	4.604	17.210	0.557	0.000	0.000	0.000	
C.2. Investment window	0.000	15.589	58.873	83.969	166.145	133.628	185.000
C.3. Pass-through to LOTFA (UNDP Police)	4.836	16.800	0.000	0.000	0.000	0.000	0.000
C.4. Fees to monitoring agent	0.668	1.407	2.641	2.158	2.534	2.958	4.750
<b>D. Cash Balance (end-of-period) (A+B-C=D1+D2)</b>	<b>119.524</b>	<b>155.966</b>	<b>238.250</b>	<b>302.969</b>	<b>294.073</b>	<b>432.493</b>	<b>499.399</b>
D.1. Committed Cash Balance:	<b>97.120</b>	<b>109.913</b>	<b>161.684</b>	<b>280.849</b>	<b>228.244</b>	<b>243.433</b>	<b>393.195</b>
to recurrent window special account	51.500	50.603	50.000	50.000	50.000	50.000	50.000
to recurrent window Trust Fund	44.288	26.042	49.489	76.242	75.029	65.354	70.029
undisbursed investment window balance	0.000	32.566	61.822	151.753	95.895	120.217	267.095
to Monitoring Agent	1.332	0.702	0.372	2.854	7.321	7.862	6.071
D.2. Unallocated Cash Balance (4)	<b>22.404</b>	<b>46.053</b>	<b>76.566</b>	<b>22.120</b>	<b>65.829</b>	<b>189.059</b>	<b>106.204</b>

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

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

(3) SY1386 forecasted balance (previous balance + new commitments - disbursements) is based on projected contributions, commitments and disbursements.

(4) The Mazar-e-Sharif and Kabul / Aybak Project allocation of US\$ 57 million and Recurrent Cost Financing Trust Fund allocation of US\$72 million is yet to be transferred.

(5) Amounts paid into the Trust Fund, but not yet disbursed, are managed by the Trustee, which maintains an investment portfolio (the "Pool") for all of the trust funds administered by the World Bank Group. The Pool is subdivided into sub-portfolios to which allocations are made based on fund specific investment horizons and risk tolerances and other eligibility requirements set by the Bank. Generally, the Pool is invested in liquid financial instruments such as money market instruments, government and agency obligations, mortgage-backed securities, and other high-grade bonds. Based on the Bank's investment strategy for trust funds, each sub-portfolio is invested in a combination of these asset types consistent with the applicable risk tolerance for the sub-portfolio. Share in Pooled Cash and Investments represents the Trust Fund's pro-rata share of the Pool's fair value at the end of the reporting period. The fair value is based on market quotations, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The corresponding proportionate interest income and investment gains/losses, accrue to the Trust Fund in the period in which they occur

Source: ARTF

## 5. Medium-Term Projections

Government adopted a Medium-Term Fiscal Framework (MTFF) in October 2005 which sets out the government's targets for sustaining the increases in domestic revenue generation. Domestic revenues were expected to reach US\$715 million (above 8 percent of GDP) in SY1386 and continue to increase afterwards toward above 8 percent of GDP in SY1388. The recent MTFF projects the domestic revenues to reach above 10 percent of the GDP by SY1390 and fully fund the operating expenditures of the government. However, the government will need donor funding to finance the core development expenditures in the medium-term.

In the Medium Term Fiscal Framework, ARTF disbursements are expected to remain at around US\$390 million per annum (US\$270 million of recurrent cost financing and US\$120 million in investment financing). Since the end of the second quarter, government and donors have agreed to increase recurrent cost financing from US\$270 million to US\$276 for SY1386.

### **III. THE ARTF RECURRENT COST FINANCING**

The ARTF, through recurrent cost financing, finances salaries and wages of over 250,000 non-uniformed civil servants (most of whom are working outside Kabul), and government's operating and maintenance (O&M) expenditures outside of the security sector, including purchases of essential supplies.

#### **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. Chart 2 gives an overview of the monitoring process. The MA reviews recurrent cost expenditures through (i) desk review of all expenditures; and (ii) site visits to test a sample of expenditures.

##### ***Desk Reviews***

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

##### ***Site Visits***

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

##### ***Compliance Testing***

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

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

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

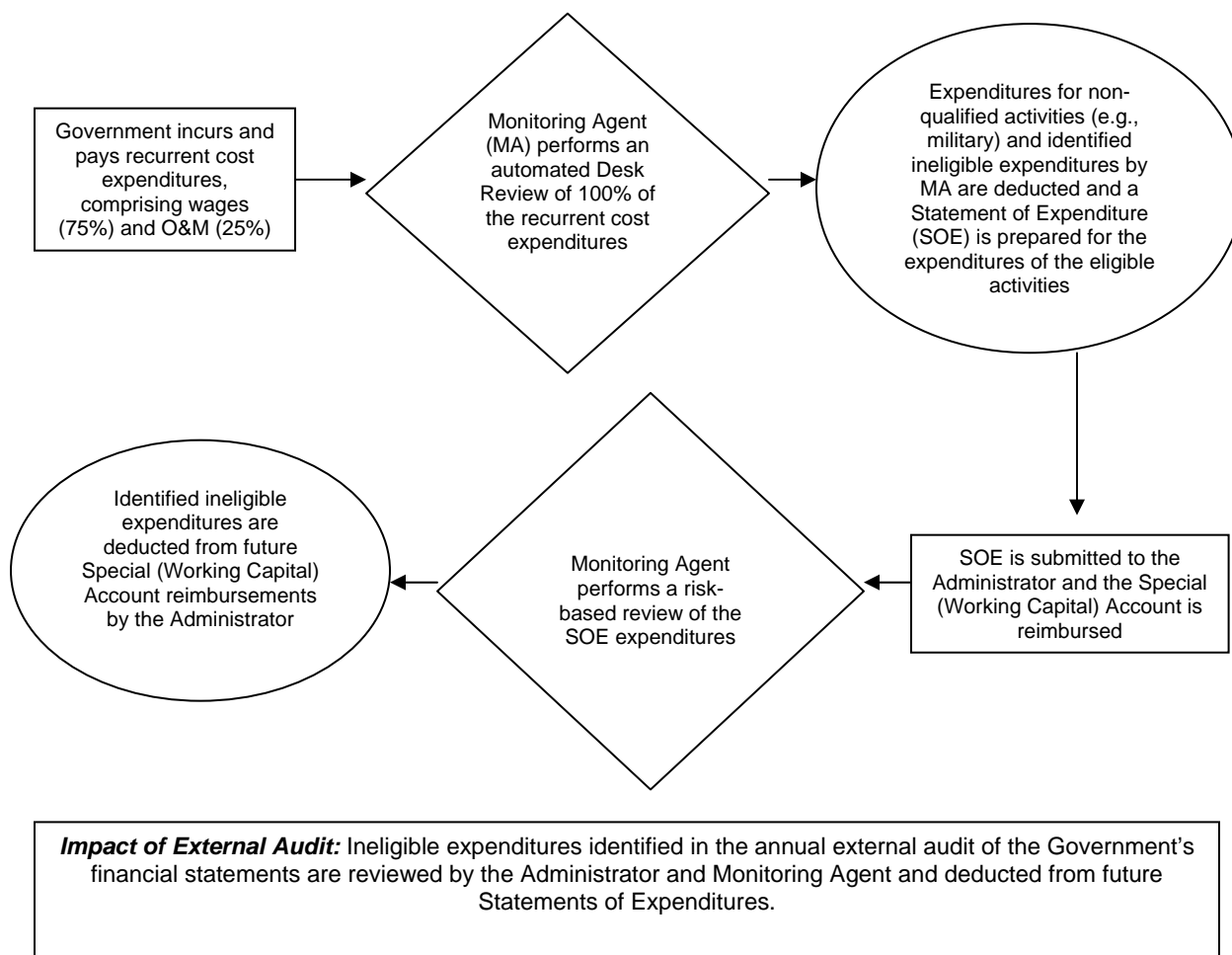
##### ***Risk-based Approach***

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

### Reporting

The MA reports to the Administrator on a monthly basis, detailing its activities. These reports provide insight into the usage of funds and findings arising from the MA’s examination of expenditures. A summary report of the MA’s findings is also shared with the Ministry of Finance. Annex 2 to this report represents a detailed analysis of budget execution and eligibility trends in SY1385.

**Chart 2: ARTF Recurrent Cost Monitoring Process**



## 2. Recurrent Cost Financing Operations

### Allocations and Disbursements

As of December 21, 2007, a total of US\$1,401 million had been made available to the government for recurrent cost financing, of which US\$1,336 million had been disbursed, leaving a balance of US\$50 million in the Special Account (working capital) held and managed by government and US\$65 million committed in the Recurrent Cost Financing grant account, held and managed by the Administrator, to cover the next period’s expenditures.

### Funding for SY1386

The ARTF must have sufficient cash on hand to promptly reimburse the government for recurrent expenditures paid by the government while maintaining a cash cushion equal to one quarter’s expenditure (US\$70 million). Annually, the amount required to be made available is calculated as the total of the

agreed recurrent cost financing (US\$276 million), plus any disbursements from the prior solar year (SY1385 – US\$14.55 million) carried over into and disbursed during the current solar year, minus any cash balances carried forward. At year-end, the agreed cash buffer of US\$70 million must be on hand, available to the government. This balance is conserved throughout the upcoming year.

Therefore, an amount of US\$ 286 million is to be transferred to the recurrent cost trust fund during SY1386 as explained in the table below – normally through quarterly allocations approximating US\$72 million. Depending, however, on the actual government cash outflow, the ARTF MC may approve allocations above or below the amounts indicated in Table 7 below. The estimate of the quarter funding allocation for recurrent cost financing is determined by comparing the balance of the Recurrent Cost financing grant account<sup>2</sup> (the account opened in the Administrator’s books for this purpose) to the government’s estimated disbursement requirement for the quarter in question, plus a reserve equal to the next quarter disbursement requirements. For SY1386, the forecast appears below in Table 7.

**Table 7: Recurrent Cost Financing Requirement for SY1386 (in US\$ million)**

	March 22, 2007 – December 21, 2007	December 22, 2007 – March 21, 2008	SY1386
Opening Balance	75*	65*	75*
Disbursements	(224)**	(67)	(291)**
Transfers	214	72	286
Closing Balance	65*	70*	70*

*\*These balances do not include Special Account (working capital) balance of US\$ 50 million.*

*\*\*Includes disbursement of US\$ 14.55 million made for SY1385 expenses. Carry forward of reimbursement of prior budget year’s eligible expenses is not likely to occur from SY1386 onward because allocation should be exhausted by the end of the Solar Year.*

### 3. 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. In SY1385 revenue collection was 40 percent above the previous year. In the first quarter of SY1386, domestic revenues were below the target by 8 percent, although absolute values are the same for the same period in SY1385. 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 March 2007, the government plans to cover 82 percent of recurrent expenditures by domestic revenues in SY1388. Therefore, ARTF finances part of the government’s approved recurrent expenditures except for security-related costs and land purchases. The annual budget is first approved by the Cabinet and, from SY1385 onwards, subsequently by the Parliament. At the beginning of the fiscal year the Administrator and ARTF donors agree with the government on the volume of the financing gap in the recurrent expenditures budget to be financed by the ARTF.

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

The Articles of Agreement of the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD) (together, “the Bank”) prohibit the Bank from

<sup>2</sup> This excludes an advance of US\$50 million for working capital which must be maintained at all time.

involvement in the political affairs of its member countries. In addition, the Articles of Agreement spell out the purposes of the Bank, which purposes have been interpreted by the Bank's Board of Executive Directors not to permit involvement in military or security related activities of member countries. The Bank in its capacity as the trustee of the ARTF is guided by the overall purposes of the Bank, the political prohibition clause and the other provisions in the Articles of Agreement. Funding military or other security-related expenditures would be outside the Bank's mandate and would violate the political involvement prohibition.

**What kinds of recurrent costs are financed by the ARTF?**

Each fiscal year the government and ARTF donors agree a proportion of government's recurrent budget to be financed by the ARTF. Expenses up to this agreed amount are reimbursed by the ARTF during the year, as long as they adhere to the government's financial management regulations and the fiduciary standards stipulated in the ARTF Grant Agreement. To date, approximately 75 percent of recurrent costs have been for payroll expenses and 25 percent for operations and maintenance expenses. Of the 25 percent for operations and maintenance, 75 percent was incurred in Kabul and 25 percent in the provinces.

**How does the ARTF Administrator monitor use of these funds?**

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

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

No, all expenditures are subject to certain minimum checks.

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

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

**What are 'ineligible expenditures'?**

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

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

No. The government first funds its recurrent budget and after an initial review of eligibility by the MA, then submits expenditure details to the Administrator which reimburses government for the eligible amounts authorized by the MA. Ineligible expenditures are frequently detected by the MA



before any reimbursement takes place. However, the monitoring process reviews expenditures at later stages to detect any further ineligible expenditure which may have been reimbursed to the government at the first stage.

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

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

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

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

## IV. The ARTF Investment Financing

### 1. Investment Financing Project Proposals

Proposals for new investments must address a funding gap for a government priority project or program, be included in the approved national budget, and must be satisfactorily appraised by sector experts. The MC evaluates the project appraisal document, and if found to be satisfactory and subject to funds availability may approve financing. Once an investment is approved, legal documents are prepared for signature by the Administrator and counter-signature by the government. Normally, such agreements are effective upon government's countersignature and disbursement may commence immediately. Disbursement, financial management and procurement procedures for the ARTF investments follow standard Bank operational policies and procedures. Supervision and implementation reports are shared with ARTF donors and the government.

### 2. Investment Project Approvals

As of December 21, 2007, cumulative approvals by the ARTF MC for investment projects amount to US\$ 599.21 million. Table 8 provides the yearly breakdown of these allocations. Financing approved by the ARTF MC for which legal agreements have not yet been countersigned by government or which are not effective are not shown.

**Table 8: ARTF Management Committee Approvals for Investment Projects  
as of December 21, 2007 (in US\$ million)**

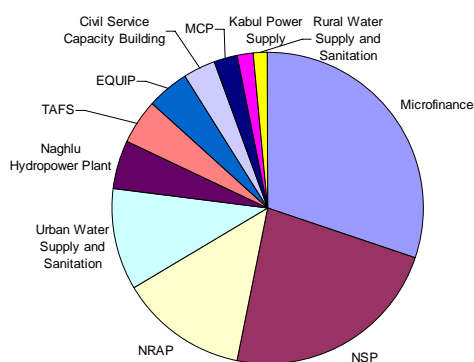
	SY1381	SY1382	SY1383	SY1384	SY1385	SY1386	Totals	SY1386 GOA Budget (1)
<b>Open Projects</b>								
TF050970 - Technical Assistance Feasibility Studies	0.000	8.000	6.000	4.500	0.000	0.000	<b>18.500</b>	0.000
TF050973 - National Rural Access Program	0.000	16.620	0.000	20.200	16.000	0.000	<b>52.820</b>	25.000
TF052452 - Microfinance for Poverty Reduction	0.000	4.000	12.000	38.300	32.000	33.000	<b>119.300</b>	47.000
TF052541 - Kabul Power Supply	0.000	7.435	0.000	0.000	0.000	0.000	<b>7.435</b>	0.000
TF090205 - National Solidarity Program II	0.000	0.000	0.000	0.000	0.000	90.000	<b>90.000</b>	150.000
TF053940 - Civil Service Capacity Building	0.000	0.000	0.000	8.000	5.000	0.000	<b>13.000</b>	0.000
TF054718 - Rehabilitation of Naghlu Hydropower Plant	0.000	0.000	20.000	0.000	0.000	0.000	<b>20.000</b>	0.000
TF054729 - Urban Water Supply and Sanitation	0.000	0.000	20.000	21.000	0.000	0.000	<b>41.000</b>	0.000
TF054730 - Education - EQUIP	0.000	0.000	0.000	5.000	0.000	12.000	<b>17.000</b>	27.000
TF055447 - Rural Water Supply and Sanitation	0.000	0.000	0.000	5.000	0.000	0.000	<b>5.000</b>	0.000
TF090077 - Management Capacity Program	0.000	0.000	0.000	0.000	0.000	10.000	<b>10.000</b>	10.000
<b>Proposed new Projects</b>								
TF - Horticulture and Livestock Program	0.000	0.000	0.000	0.000	0.000	0.000	0.000	6.000
TF - Mazar-e-Sharif and Kabul / Aybak power Project			0.000	0.000	0.000	0.000	0.000	57.000
TF - Kabul Roads Project			0.000	0.000	0.000	0.000	0.000	18.000
TF - Private Sector Development			0.000	0.000	0.000	0.000	0.000	3.200
<b>Closed Projects</b>								
TF050855 - UNDP Police Pr. 1 & 2	4.836	0.000	0.000	0.000	0.000	0.000	<b>4.836</b>	
TF052081 - Microfinance for Poverty Reduction	0.000	1.000	0.000	0.000	0.000	0.000	<b>1.000</b>	
TF052366 - UNDP Police 3	0.000	16.800	0.000	0.000	0.000	0.000	<b>16.800</b>	
TF052475 - Telecom & Microwave Link	0.000	3.000	3.130	0.000	0.000	0.000	<b>6.130</b>	
TF052482 - Kabul Roads and Drainage System	0.000	3.000	0.000	0.000	-0.172	0.000	<b>2.828</b>	
TF053939 - National Solidarity Program	0.000	0.000	27.000	70.900	58.500	13.100	<b>169.500</b>	
TF052735 - Strengthening Financial Capacity of the Government	0.000	5.100	0.000	0.000	-1.041	0.000	<b>4.059</b>	
<b>Total</b>	<b>4.836</b>	<b>64.955</b>	<b>88.130</b>	<b>172.900</b>	<b>110.287</b>	<b>158.100</b>	<b>599.208</b>	<b>343.200</b>

The allocations to the investment portfolio align with Afghanistan's development priorities as reflected in the national budget for rural development; rehabilitation and development of basic infrastructure (roads, power, and water supply); and capacity building. The relative shares of the three clusters in the overall resource allocation (for ongoing projects only) are shown in Table 9.

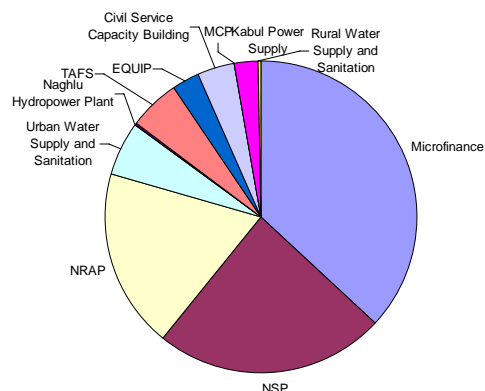
**Table 9: Composition of Resource Allocation: ARTF Investment Financing (Ongoing Projects)**

	Total Allocation US\$ million	Distribution %	Disbursement US\$ million
<b>Rural Development</b>	<b>267.12</b>	<b>68%</b>	<b>220.29</b>
National Emergency Employment Program for Rural Access	52.82	13%	51.94
Microfinance Support for Poverty Reduction	119.30	30%	101.91
National Solidarity Project II	90.00	23%	65.33
Rural Water Supply & Sanitation	5.00	1%	1.11
<b>Infrastructure</b>	<b>68.44</b>	<b>17%</b>	<b>22.37</b>
Improvement of Power Supply to Kabul	7.44	2%	6.84
Urban Water Supply & Sanitation	41.00	10%	15.30
Rehabilitation of Naghlu Hydropower Plant	20.00	5%	0.22
<b>TA &amp; Capacity Building</b>	<b>58.50</b>	<b>15%</b>	<b>32.88</b>
Technical Assistance & Feasibility Studies Facility	18.50	5%	15.16
Civil Service Capacity Building	13.00	3%	10.72
Management Capacity Program	10.00	3%	-
Education Quality Improvement Program	17.00	4%	7.00
	<b>394.06</b>		<b>275.53</b>

**Investment Portfolio by commitment**



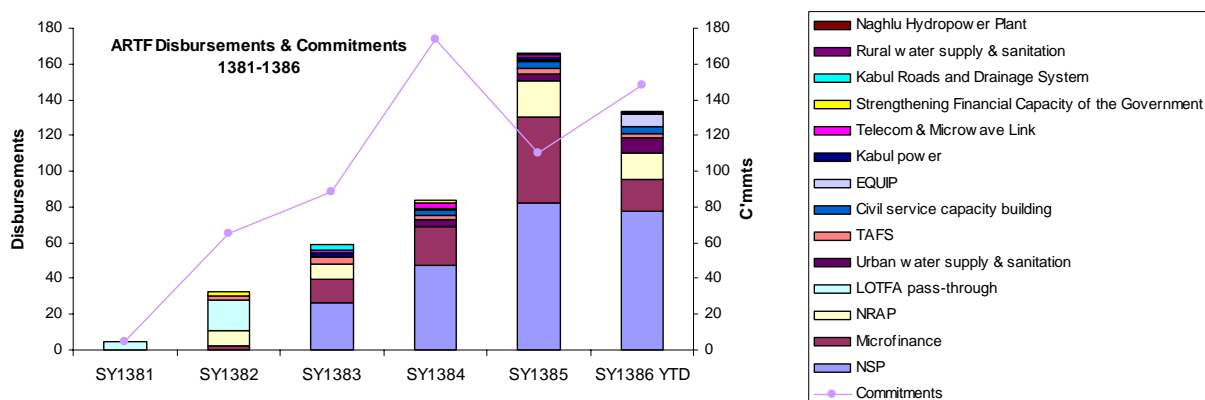
**Investment Portfolio by disbursement**



### 3. Portfolio Status

As of December 21, 2007, the ARTF investment portfolio comprised of eleven active projects with a combined commitment of US\$394.06 million, of which US\$275.53 million (70 percent) had been disbursed. SY1386 disbursements from ARTF financed investment programs are projected at US\$185 million (US\$134 million disbursed as of December 21, 2007). Table 10 sets out annual disbursements (columns) and commitments (line) by project. More detailed project-specific information is given in Annex 1.

**Table 10: ARTF Disbursements and Commitments 1381 – 1386 YTD (US\$ m)**



Note: includes both active and closed investment projects.

Generally speaking, the government’s uneven implementation capacity has affected the ARTF portfolio. Weak coordination, lack of administrative clarity, procurement delays and budget allotment problems slowed implementation on some ARTF-financed projects, particularly in the infrastructure/power sector. On the other hand, rural development programs reflect stronger implementation performance, despite greater insecurity in some rural areas. Though total disbursements doubled to US\$166 million in SY1385, in itself a sign of improved implementation and disbursement capacity, there is room for continued improvement to reduce time lags and bottlenecks in various processes which, taken in combination, can delay payments by several months if this improvement is not sustained.

Formal reviews of investment projects are generally conducted at least twice annually by the Administrator. Supervision reports and related communications are shared with the ARTF donors, upon request. Sometimes, supervision missions are conducted jointly between the Bank and donor teams.

Insecurity continues to hamper implementation of many projects. The Administrator’s policy is to continue to fund activities where implementing partners are able to operate. Ministries are flexibly re-ordering priorities toward districts where implementation is possible.

A satisfactory annual audit of project financial statements by the Auditor General of Afghanistan, with the support of an Audit Advisor, is required to be completed within six months of the end of each fiscal year during which the project is disbursing. FY2007 (SY1385) audits for all ARTF-financed projects have been received and the findings are being reviewed and discussed by the Administrator.

**Table 11: Status and Ratings of Active and Disbursing ARTF Investment Projects\***  
(amounts in US\$ million)

	1	2	3	4	5	6	7	8	9	10	11
	<i>Civil Service Capacity Building</i>	<i>Management Capacity Program</i>	<i>TA and Feasibility Study Project</i>	<i>NEEP (NRAP)</i>	<i>Micro-finance</i>	<i>Kabul Power Supply</i>	<i>National Solidarity Program II</i>	<i>Emergency Power Rehab.</i>	<i>Urban Water and Sanitation</i>	<i>Education Quality Improvement Program</i>	<i>Rural Water Supply and Sanitation</i>
<b>Approved Grant Amount</b>	13.00	10.00	18.50	52.82	119.30	7.44	90.00	20.00	41.00	17.00	5.00
<b>Amount Disbursed</b>	10.72	0.00	15.16	51.94	101.91	6.84	65.33	0.22	15.30	7.00	1.11
<b>Amount Available</b>	2.28	10.00	3.34	0.88	17.39	0.60	24.67	19.78	25.70	10.00	3.89
<b>Start Date</b>	06/15/05	10/17/2007	03/08/03	03/14/03	07/10/03	02/02/04	05/27/07	02/13/05	02/21/05	06/01/05	12/15/2005
<b>Closing Date</b>	02/28/10	03/31/2010	02/28/10	03/31/08	06/30/10	03/31/08	09/30/09	06/30/10	12/31/08	03/31/09	06/30/08
<b>Achievement of Grant Objectives</b>	MS	S	MS	S	S	S	S	MS	MS	S	S
<b>Implementation</b>	S	S	MU	S	S	MS	S	MS	MS	S	S

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

#### Rating Definitions

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



**ANNEX 1:**  
**STATUS OF INVESTMENT PROJECTS**





<b>1. AFGHANISTAN CIVIL SERVICE CAPACITY BUILDING PROJECT (TF053940)</b>			<b>Contact:</b> Mr. Nigel Peter Coulson
Approved: <b>02-May-05</b>	Effective: <b>15-Jun-05</b>	Closing: <b>28-Feb-10</b>	ncoulson@worldbank.org
Allocated: <b>US\$13 million</b>		Disbursed: <b>US\$10.72 million</b>	Available: <b>US\$2.28 million</b>
<b>Objective:</b> To meet the short-term capacity needs of the Afghan Civil Service through two inter-related programs: the Afghanistan Expatriate Program (AEP) and the Lateral Entry Program (LEP).			

**Component 1: The Afghan Expatriates Program (US\$10 million)** The "Afghan Expatriates" component enabled exceptionally well-qualified Afghan experts residing abroad to work as senior advisers to help key line ministries and apex agencies with institutional reforms, human resources development, and formulation and management of priority development programs

**Component 2: The Lateral Entry Program (US\$3 million)** aims to recruit a significant number of qualified Afghan professionals to 'act' in line civil service positions between Grades 2 and 4, on a scale of up to US \$ 2,000 on contract for a term of 2 years, renewable once for one year and no more, with the purpose of:

- Providing short to medium term capacity to ministries primarily in agencies where the PRR effort has been slow to take off.
- Laying the foundation for the reform process in ministries and government agencies, which are currently not under the PRR process.

Training, mentoring and motivating regular post holders to work more efficiently and more effectively for the government, providing an alternative to the continued extensive use of technical assistance and consultants.

### **Implementation Progress**

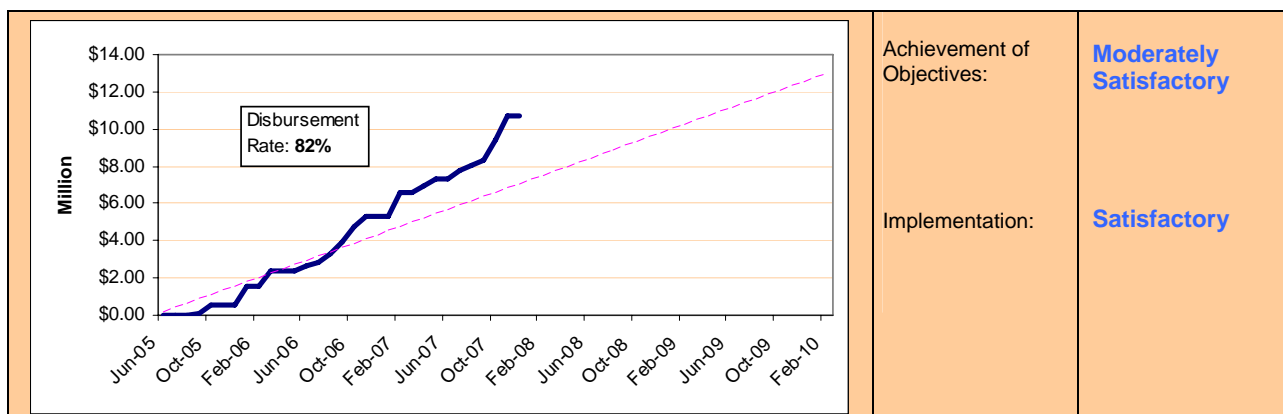
**(AEP):** To date, 95 positions (including 3 women) have been filled through the AEP in over 20 ministries and agencies, with 35 currently under contract.

**(LEP):** To date 123 lateral entrants (including 4 women) have been recruited to work in over 22 ministries and agencies, with 64 currently under contract.

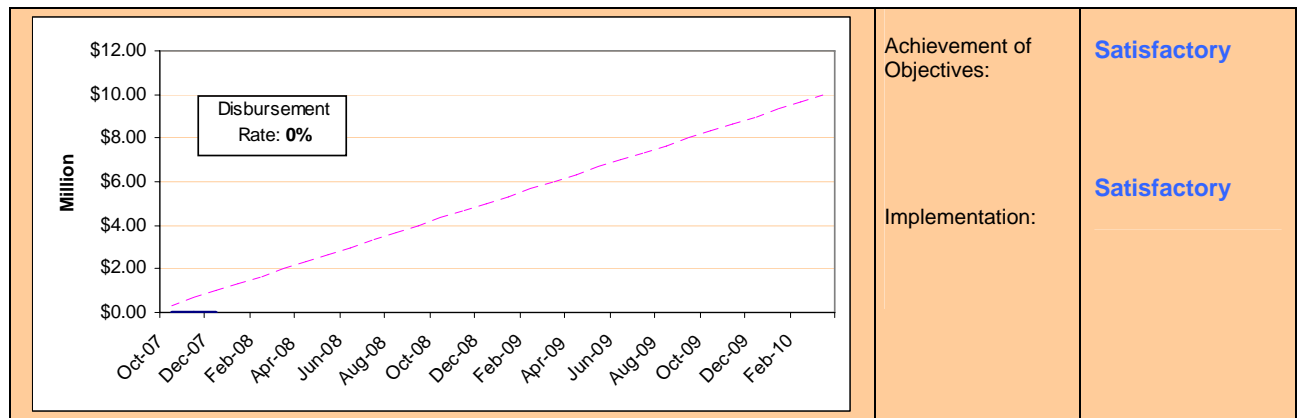
### **Issues and Actions**

Independent evaluations were conducted of the AEP and LEP. The results of the two reviews and subsequent discussions with Government (MoF and the IARCSC) identified a new, unified program with a single set of criteria for identifying needs, recruitment, remuneration and supervision. The new Management Capacity Program (MCP) has significant advantages over maintaining two separate programs to respond to the short to medium-term management capacity needs of ministries and is described in project 2 below.

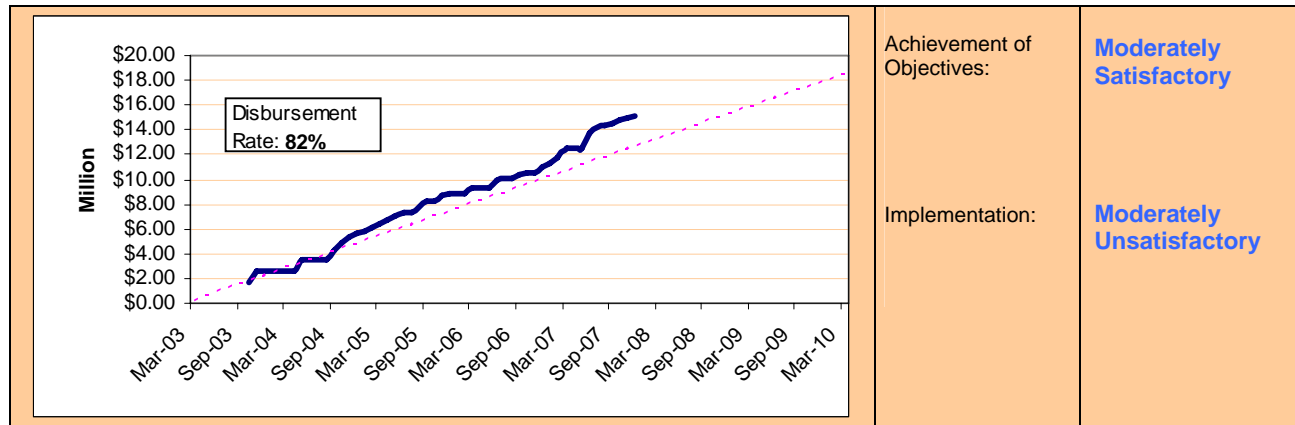
Please visit the Afghanistan Expatriate Program website: <http://www.artfexpat.gov.af/about.html>



<b>2. MANAGEMENT CAPACITY PROGRAM (TF090077)</b>			<b>Contact:</b> Mr. Nigel Peter Coulson
Approved: <b>30-June-07</b>	Effective: <b>17-Oct-07</b>	Closing: <b>31-Mar-10</b>	ncoulson@worldbank.org
Allocated: <b>US\$10 million</b>	Disbursed: -	Available: <b>US\$10 million</b>	
<p><b>Objective:</b> To achieve sustained improved performance in the management capacity of key departments dealing with any or all of the common functions including financial management, human resource management, policy and regulatory design, and administration. This should ultimately result in improved utilization and cost effectiveness of budgetary resources and faster and better development results on the ground.</p>			
<p>The “Management Capacity Program” (MCP) would essentially support the interim buying-in of critical management capacity to line ministries to complement donor provided technical advisory assistance. The purpose would be to improve the utilization and cost effectiveness of donor resources and generate faster and better development results on the ground. This is necessarily an interim solution to address the multiple capacity challenges facing Afghanistan: a small pool of Afghan professionals; competing demands from UN agencies and bilateral donors who continue to implement projects outside the government systems; and the ongoing distortions in the remuneration levels for skilled manpower.</p> <p><b>Component 1:</b> <u>Provision of management services component</u>  <b>Component 2:</b> <u>Program management component</u> would strengthen the Capacity Development Secretariat (CDS) within the IARCSC.</p>			
<p><b>Implementation Progress</b></p> <p>Key features of the MCP include:</p> <ul style="list-style-type: none"> <li>➤ focus on senior-level line positions;</li> <li>➤ support of common functions (procurement, financial management, human resource management, administration, etc) and provincial and district administration;</li> <li>➤ offer competitive remuneration (comparable to international organizations) to attract and retain the required skills;</li> <li>➤ strengthen Capacity Development Secretariat;</li> <li>➤ oversight of program by PAR Steering Committee.</li> </ul> <p>The project was declared effective in October 2007 following the completion of the project manual and the financial manual. The procurement of technical assistance to support HRM, Financial Management and Contracting is being finalized and implementation is expected to be underway by March 2008, as funding under the Civil Service Capacity Program is fully utilized</p>			
<p><b>Issues and Actions</b></p> <p>To continue to raise awareness with ministries of the support provided by MCP, leading to successful applications being made.</p>			



<b>3. TECHNICAL ASSISTANCE AND FEASIBILITY STUDIES FACILITY (TF050970)</b>				<b>Contact:</b> Ms. Ludmilla Butenko	
Approved: <b>08-Mar-03</b>		Effective: <b>08-Mar-03</b>		Closing: <b>28-Feb-10</b>	
Allocated: <b>US\$18.5 million</b>		Disbursed: <b>US\$15.16 million</b>		Available: <b>US\$3.34 million</b>	
<b>Objective:</b> To build capacity of Government by providing expertise to line ministries and developing local technical and professional capacity to define reconstruction and development projects.					
<b>Component 1:</b> Feasibility Studies and Implementation Support (US\$10 million): Aims to identify and prepare projects for financing and implementation. This component supports the recruitment of specialized firms to undertake the feasibility studies.					
<b>Component 2:</b> Recruitment of Individual Consultants (US\$8.5 million): Specialists recruited guide the preparation and supervision of reconstruction and development activities and supervise feasibility studies on behalf of the Government.					
<b>Implementation Progress</b>					
<b>Component 1:</b> A total of seven contracts has been awarded (to MEW and MUDH), for US\$10.1 million. Out of this amount, US\$2.35 million has been disbursed and US\$7.75 million is committed but not disbursed.					
<b>Component 2:</b> There are two experts working in line ministries. Total commitments for individual contracts amount to US\$7.4 million, out of which US\$7 million have been disbursed.					
<b>Major Contracts (Firms) and Status</b>					
Date	Type	US\$ Million	Contractor	Country	Status
May-04	Consulting services for MEW	2.3	DECON GmBH	Germany	Completed
Jun-05	Baghdara Hydro Power Plant Feasibility Study for MEW	3.8	Fichtner GmBH & CoKG	Germany	On-going
Dec-05	Consulting Services for MUDH (Urban Plan)	2.6	SMEC	Australia	On-going
Mar-06	FM Consulting Services for Kabul Municipality (Urban Plan)	0.3	IPE	India	On-going
Jul-06	Aynak Copper Deposit Transaction Advisor	0.9	Gustavson Associates	USA	On-going
<b>Issues and Actions</b>					
Judging by the activities implemented, the project has had a lower than expected impact in terms of feasibility studies and its contribution to the preparation of the public investment pipeline. In many cases, individual consultants were employed for short term assignments. To what extent the engagements of individual consultants have contributed toward capacity building in Afghanistan is difficult to assess but the impact is likely to be limited.					
The consulting firms engaged have provided a sound contribution to the design and management of te projects that they were supporting. For example, Gustavson Associate's work has been instrumental in the preparation of a transparent and efficient tender process for the Aynak copper deposit. The contract has been amended to include the support to the Ministry of Mines in the negotiations with the winning bidder.					



Achievement of Objectives:

**Moderately Satisfactory**

Implementation:

**Moderately Unsatisfactory**

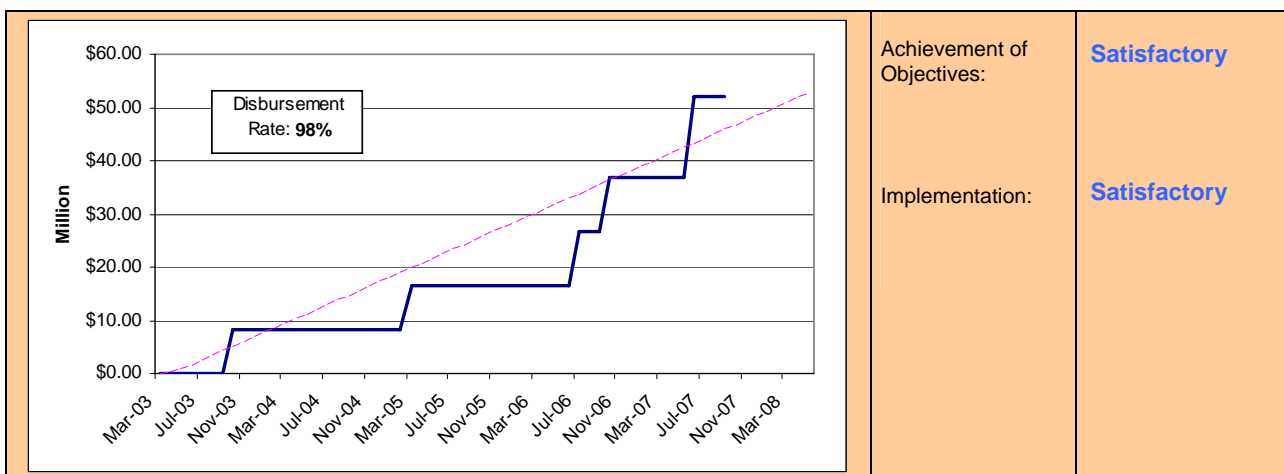
<b>4. NATIONAL EMERGENCY EMPLOYMENT PROGRAM-1 (NEEP-I, TF050973) [PART OF THE GOVERNMENT'S NATIONAL RURAL ACCESS PROGRAM]</b>			<b>Contact:</b> Ms. Susanne Holste																																													
Approved: <b>14-Mar-03</b>	Effective: <b>14-Mar-03</b>	Closing: <b>31-Mar-08</b>	<a href="mailto:sholste@worldbank.org">sholste@worldbank.org</a>																																													
Allocated: <b>US\$52.82 million</b>		Disbursed: <b>US\$51.94 million</b>		Available: <b>US\$0.88 million</b>																																												
<p><b>Objective:</b> To assist the government in providing employment in rural areas at a minimum wage, as a safety net, to as many people in as short a time as possible. This objective should be read in conjunction with the objective of government's NRAP which is to enhance human security and promote equitable economic growth by ensuring year-round access to markets, basic services and facilities in the rural areas of Afghanistan, through promoting local productive capacity, and private sector development of essential rural access infrastructure and employment creation for the rural poor.</p>																																																
<p><b>Component 1:</b> Road Sector Labor Intensive Public Works  <b>Component 2:</b> Irrigation Labor Intensive Public Works</p>																																																
<p><b>Implementation Progress</b></p> <p>The National Rural Access Program (NRAP) is one of the government's most successful national priority programs. Currently the World Bank administers financing for three projects under NRAP: the National Emergency Employment Program for Rural Access (NEEPRA, IDA Credit no. 3799 and IDA Grant no. H054), the Japanese-funded Disarmament/Demobilization and Reintegration/Rural Alternative Livelihoods project (DDR/RAL, Grant no. 53415), and the ARTF-funded NEEP-1.</p> <p>The specific progress under the ARTF-funded NEEP-I (and additional funding under the NEEP extension) is:</p>																																																
<table border="1"> <thead> <tr> <th>Project</th> <th>Performance Indicators</th> <th>Baseline</th> <th>Revised</th> <th>Committed</th> <th>Achieved to date</th> </tr> </thead> <tbody> <tr> <td rowspan="3">NEEP-I</td> <td>Roads (kms)</td> <td>5,000</td> <td>2,725</td> <td>2,461</td> <td>2,461</td> </tr> <tr> <td>Irrigation</td> <td>24,000 hectares rehabilitated</td> <td>15,000 hectares rehabilitated</td> <td>15,000 hectares rehabilitated</td> <td>15,000 hectares rehabilitated</td> </tr> <tr> <td>Un-skilled Labor days</td> <td>5,000,000</td> <td>3,400,000</td> <td>4,000,000</td> <td>3,728,000</td> </tr> <tr> <td rowspan="4">NEEP/NRAP (ARTF NEEP-1 Extension)</td> <td>Roads (kms)</td> <td>850</td> <td>600</td> <td>590.9</td> <td>372.9</td> </tr> <tr> <td>Bridges (m)</td> <td>728</td> <td>702</td> <td>656.62</td> <td>406.82</td> </tr> <tr> <td>Cross Drainage Structures (m)</td> <td>n.a.</td> <td>6,000</td> <td>7,574.66</td> <td>4,899.46</td> </tr> <tr> <td>Un-skilled Labor days</td> <td>4,780,000</td> <td>1,500,000</td> <td>1,063,578<sup>3</sup></td> <td>2,075,311</td> </tr> </tbody> </table>						Project	Performance Indicators	Baseline	Revised	Committed	Achieved to date	NEEP-I	Roads (kms)	5,000	2,725	2,461	2,461	Irrigation	24,000 hectares rehabilitated	15,000 hectares rehabilitated	15,000 hectares rehabilitated	15,000 hectares rehabilitated	Un-skilled Labor days	5,000,000	3,400,000	4,000,000	3,728,000	NEEP/NRAP (ARTF NEEP-1 Extension)	Roads (kms)	850	600	590.9	372.9	Bridges (m)	728	702	656.62	406.82	Cross Drainage Structures (m)	n.a.	6,000	7,574.66	4,899.46	Un-skilled Labor days	4,780,000	1,500,000	1,063,578 <sup>3</sup>	2,075,311
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<p><b>Issues and Actions</b></p> <p><b>Effective delivery mechanism:</b> NRAP and its supporting projects are effective in providing rural access infrastructure and linking communities across the country. Considerable economic benefits accrue to the rural population. The program has demonstrated the government's ability to rehabilitate roads and has given a boost to the emerging Afghan private sector as companies throughout the country respond to tenders.</p> <p><b>Constraints:</b> Implementation of NEEP-I has been delayed by a number of factors, such as delays in processing of project proposals, release of funds, adverse security, lack of capacity of line ministries, and staff turnover. Many of these slippages were absorbed by the Implementing Partner (UNOPS) but have delayed overall project implementation.</p>																																																

<sup>3</sup> Exact committed figures for labor-days are being recalculated by MRRD.

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

**Government's new National Emergency Rural Access Project:** The World Bank currently supports the NRAP through the National Emergency Employment Program for Rural Access (NEEPRA), which was restructured in February 2007, to restate its development objective and add new activities. NEEPRA is expected to close in September 2007. The government's National Emergency Rural Access Project (NERAP) has been prepared and is expected to be negotiated with the government in the first half of November 2007, and the project will be presented to the World Bank Board in the second week of December 2007. As part of the preparation, the World Bank has prepared a Rural Access Policy Note which reviews sector performance, identifies constraints, and makes recommendations. This note was shared with Government and the ARTF Donors in June 2007. It is expected that the government will organize a workshop to launch preparation for the government's Rural Access Policy.

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



Achievement of Objectives:

Satisfactory

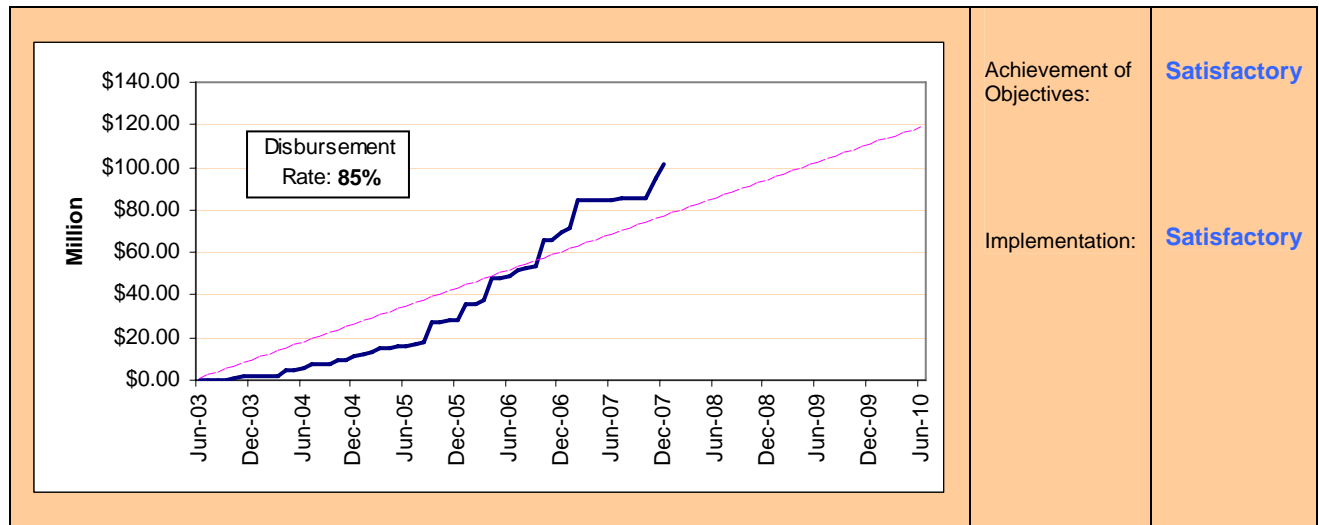
Implementation:

Satisfactory

<b>5. MICROFINANCE SUPPORT FOR POVERTY REDUCTION (TF052452)</b>			<b>Contact:</b> Mr. Stephen F. Rasmussen
Approved: <b>10-July-03</b>	Effective: <b>10-July-03</b>	Closing: <b>30-Jun-10</b>	srasmussen@worldbank.org
Allocated: <b>US\$119.30 million</b>	Disbursed: <b>US\$101.91 million</b>	Available: <b>US\$17.39 million</b>	
<p><b>Objective:</b> To help Afghans improve their livelihoods, make the transition from dependence on humanitarian assistance to economic independence and empower them to build on their entrepreneurial spirit and skills.</p>			
<p><b>Component 1:</b> Microfinance Fund (Loan fund)  <b>Component 2:</b> Capacity-building/training of Microfinance Providers  <b>Component 3:</b> Implementation Support to MISFA and MFIs</p>			
<p><b>Implementation Progress</b></p> <p><b>Geographic Coverage:</b> The sector has 256 branches across 23 provinces. BRAC and WOCCU have already started their operations in the southern provinces (Helmand and Kandahar). BRAC disbursed US\$112,077 in Helmand and US\$49,146 in Kandahar. WOCCU has established office in Helmand, completed staff recruitment and disbursed US\$25,500.</p> <p><b>Sector Update:</b> As of November 2007 and over four years of operation, the sector has about 419,000 active clients out of which over 358,000 are active borrowers with an outstanding gross loan portfolio of over US\$100.9 million. The sector has cumulatively disbursed an amount of US\$353.99 million to more than 964,000 borrowers. The current average loan size is US\$281. Current repayment rate has come down slightly due to security constraints and staff management issues in some areas. Besides credit, MFIs have collected US\$10.7 million in small savings deposits.</p> <p><b>Gender / Special Clients:</b> At present there are over 274,800 women clients (66 percent of the total client). Some of the microfinance partners specifically cater to women clients. The sector employs about 4,352 staff. MISFA has trained over 600 Afghans in microfinance. There are also over 200 disabled and over 12,000 returnee clients.</p> <p><b>MISFA Registration:</b> MISFA has registered with AISA as an Afghan company. Eleven MISFA partner MFIs are also registered as companies under Afghan law and others are expected to follow suit.</p> <p><b>Projections:</b> It is expected that by the end of SY1387 the sector will be serving three-quarters of a million households and that a total amount of nearly half a billion dollars in loans will have been disbursed. Three-quarters of the clients will remain female, half of the loans will be disbursed in rural areas, and MFIs will be active in over thirty provinces.</p>			
<p><b>Issues and Actions</b></p> <p><b>Funding Issues.</b> It is anticipated that a US\$30 million proposed IDA Grant for microfinance will narrow the funding gap for Microfinance activities in SY1386. In June 2007, the ARTF MC approved an additional US\$33 million in fresh ARTF financing for SY1386. MISFA has started disbursement of these loans after a six month delay due to a decision pending with the government.</p>			

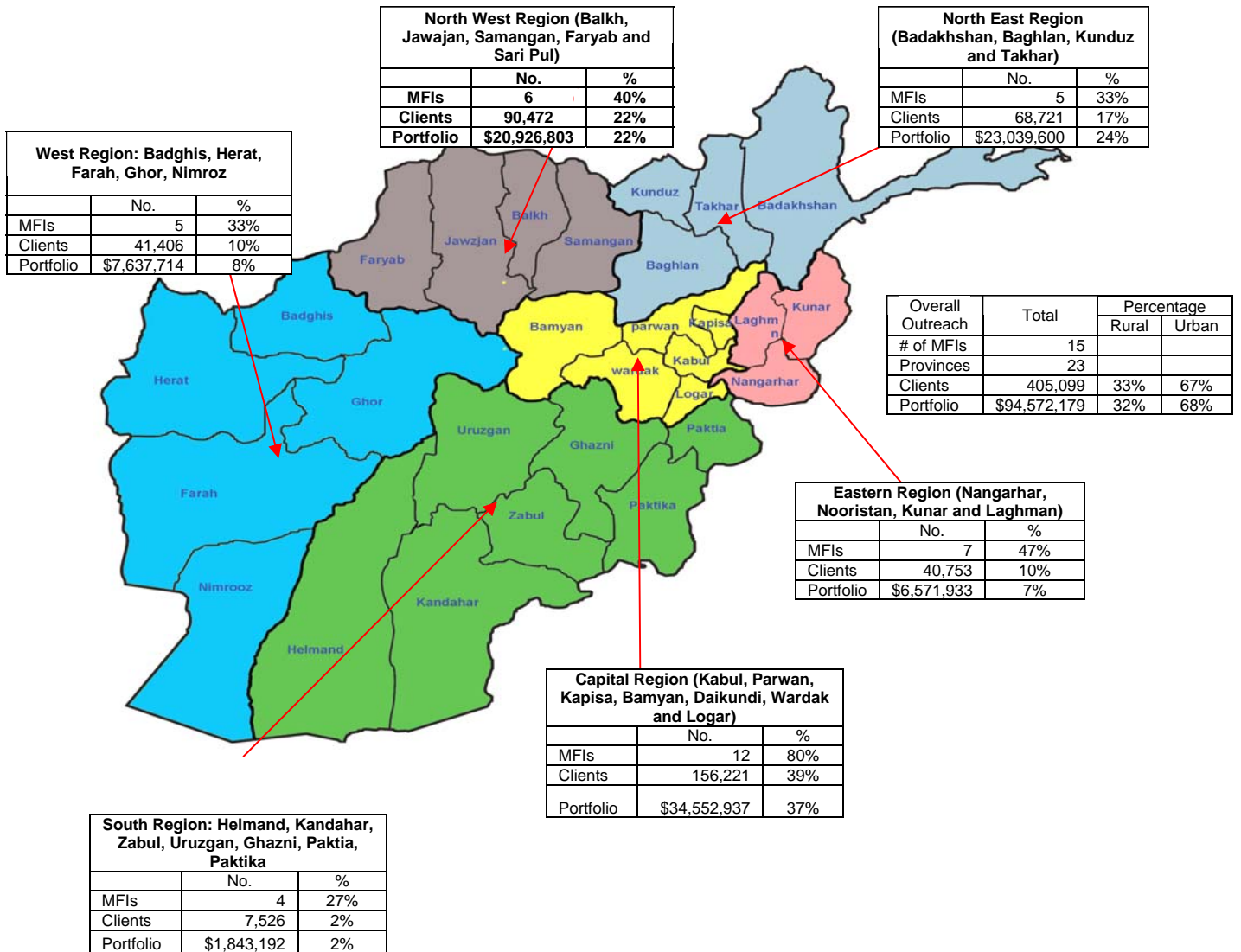
For more information on Microfinance in Afghanistan, please visit [www.misfa.org.af](http://www.misfa.org.af).



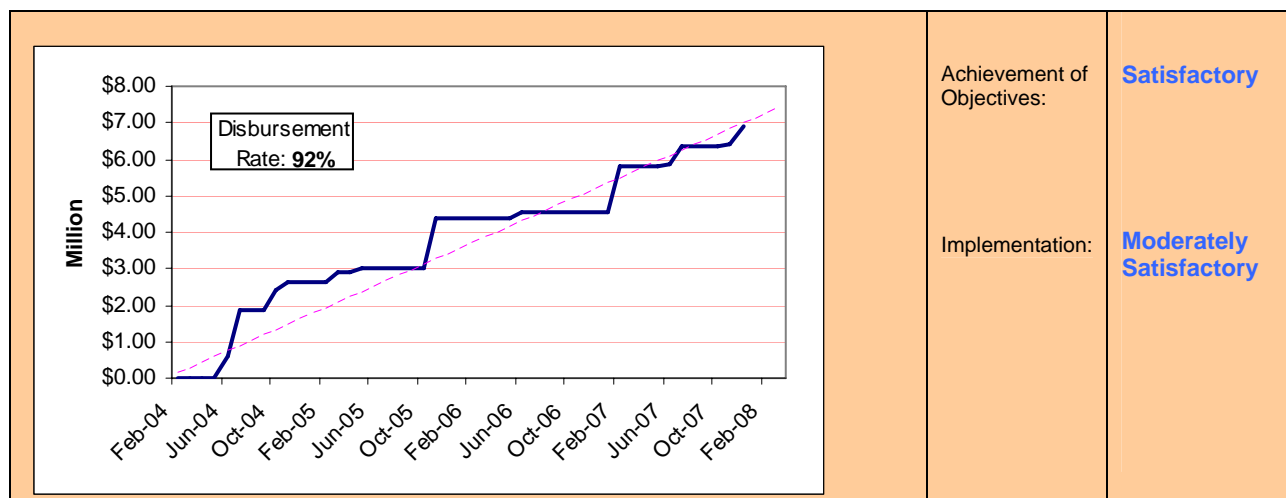


Achievement of Objectives: **Satisfactory**

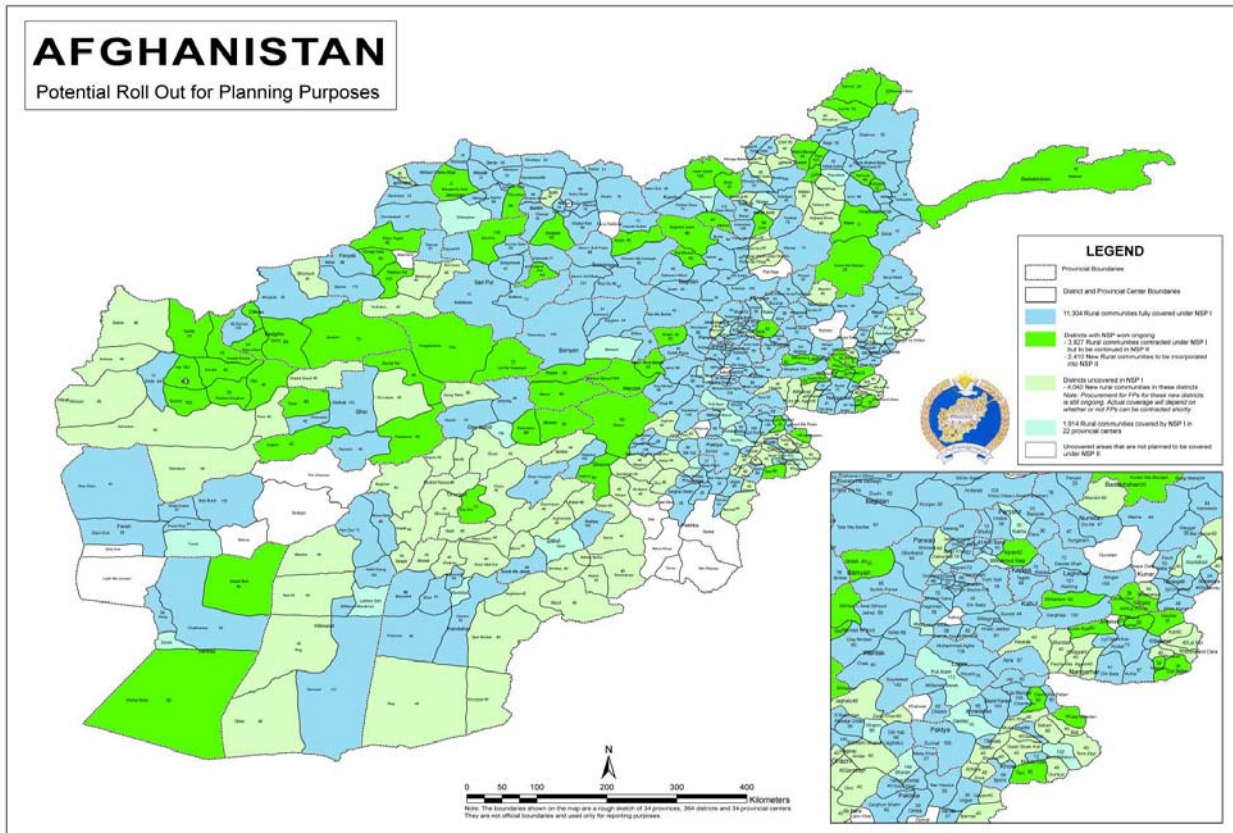
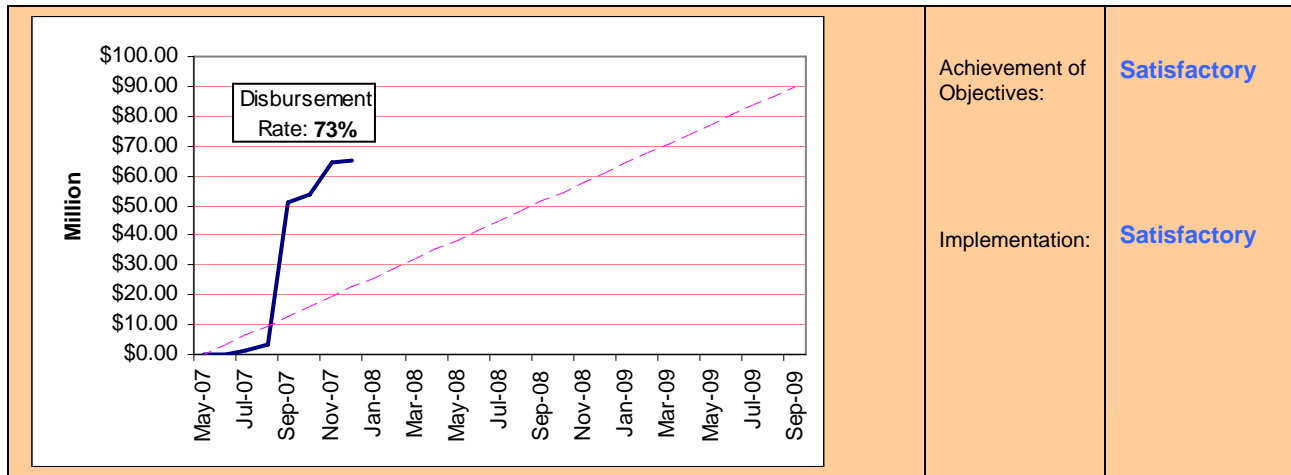
Implementation: **Satisfactory**



<b>6. IMPROVEMENT OF POWER SUPPLY TO KABUL (TF052541)</b>			<b>Contact:</b> Mr. Pedro E. Sanchez
Approved: <b>10-Dec-03</b>	Effective: <b>02-Feb-04</b>	Closing: <b>31-Mar-08</b>	psanchez@worldbank.org
Allocated: <b>US\$7.44 million</b>	Disbursed: <b>US\$6.84 million</b>	Available: <b>US\$0.60 million</b>	
<b>Objective:</b> To improve the availability and reliability of power supply in Kabul through (i) rehabilitation of the Mahipar hydropower station (including a 110 KV transmission line); and (ii) improvement of street lighting in Kabul.			
<b>Component 1:</b> Rehabilitation of Hydro Power Stations			
<b>Component 2:</b> Rehabilitation of Transmission Lines Sarobi-Kabul			
<b>Component 3:</b> Rehabilitation of Public Lighting in Kabul			
<b>Implementation Progress</b>			
<b>Component 1:</b> KfW reported that the rehabilitation works for one of the units is completed. Completion of the second unit is expected by December 2007.			
<b>Component 2:</b> Completed in 2005.			
<b>Component 3:</b> Completed in 2004.			
<b>Issues and Actions:</b> KfW estimates a financing gap of US\$270,000 due to the fact that the VSHK contract is nominated in Euros and this currency has appreciated with reference to the US Dollar.			

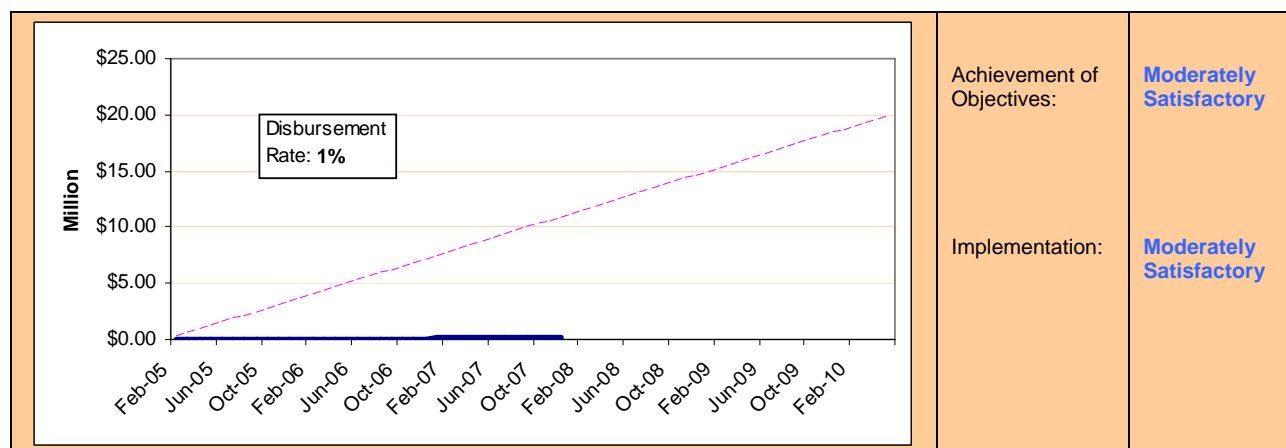


<b>7. NATIONAL SOLIDARITY PROGRAM II (NSP II) TF090205</b>			<b>Contact:</b> Ms. Susanne Holste
Approved: <b>07-Dec-06</b>	Effective: <b>15-May-07</b>	Closing: <b>30-Sep-09</b>	sholste@worldbank.org
Allocated: <b>US\$90 million</b>		Disbursed: <b>US\$65.33 million</b>	Available: <b>US\$24.67 million</b>
<b>Objective:</b> To lay the foundations for strengthening community level governance, and to support community reconstruction and development projects that improve access of the rural communities to social and productive infrastructure and services.			
<b>Component 1:</b> Block Grants for Communities to Implement Reconstruction and Development Sub-projects			
<b>Component 2:</b> Community Facilitation and Capacity Building			
<b>Component 3:</b> Program Implementation Management Support, Monitoring and Evaluation			
<b>Implementation Progress:</b>			
<p>The Second National Solidarity Project (NSP II) became effective on May 15, 2007, following up the NSPI which closed on March 31, 2007. NSP II continues to support the NSP roll-out to an additional 4,300 communities toward the targeted 21,600 communities in Afghanistan representing 90 percent of the country. As of January 2008, more than 20,991 communities were mobilized (97 percent of the target). Approximately 19,347 of these communities successfully elected Community Development Councils (CDCs) and about 19,059 Community Development Plans (CDPs) were formulated. 34,040 sub-project proposals were approved and of which 16,290 were completed. About 79 percent of the sub-projects develop productive infrastructure: water supply &amp; sanitation (24.5 percent), rural roads (21.8 percent), irrigation (16.6 percent), village electrification (15.6 percent).</p>			
<b>Issues and Actions:</b>			
<p><b>1) New allocation in SY1386 (Grant no. 090205):</b> For SY1386, ARTF financing of US\$90 million was approved by the MC on May 24, 2007 with US\$70.9 million disbursed as of January 17, 2008. The available balance is \$19.2 million. NSP very much welcomed the decision by the Ministry of Finance at mid-year budget review to increase the SY1386 budget inscription by US\$81.45 million, easing cash flow management at the beginning of the new SY.</p>			
<p><b>2) Funding shortfall for NSP roll-out:</b> Funding shortfalls continue to be a problem for the program. NSP has been so successful and is in such great demand by the population that the program has rolled out faster than available funding. NSP has consistently faced difficulties to meet its obligations towards the communities and facilitating partners. There is a risk that the credibility of the government will be undermined if, once again, the population is disappointed in the reliability of government's commitment. The current forecast is that NSP will again have a funding shortfall starting in March 2008, and thus improving predictability of funding remains a high priority.</p>			
<p><b>3) Security:</b> Security is increasingly the concern of the project implementation. Threats and attacks against MRRD staff and facilitating partners have increased. The security situation in the districts is very fluid and the FPs and NSP must adjust accordingly. The World Bank, NSP/MRRD, and FPs are currently working on possible alternate measures to working in high risk areas. NSP could be used effectively to stabilize those districts which are presently secure by demonstrating the ability of government to deliver needed services to the population and thus could serve as an effective stabilization instrument.</p>			
<p><b>4) Consolidating CDCs:</b> The NSP has been instrumental in setting up the Community Development Councils (CDCs). In its second phase of implementation, the roles of CDCs which have fully utilized their blocks grants are being discussed. CDCs have effectively become the lowest level of governance and an effective institution to manage development assistance and resolve local issues. The CDC by law confers legal status. It is evident that CDCs cannot yet self-finance but going forward, CDCs may be an increasingly effective development instrument in rural Afghanistan. In November 2007, the second national CDC Conference was held in Kabul bringing together over 600 delegates from around the country. Over one third of participants were women. The conference deliberations made it clear that CDCs are constituting a vocal part of Afghan civil society which is ready to make substantial contributions to local development.</p>			



Read about NSP success stories and details of the program at [www.nspafghanistan.org](http://www.nspafghanistan.org).

<b>8. EMERGENCY POWER REHABILITATION PROJECT (Naghlu HPP) (TF054718)</b>			<b>Contact:</b> Ms. Suni Khosla
Approved: <b>13-Feb-05</b>	Effective: <b>13-Feb-05</b>	Closing: <b>30-Jun-10</b>	skholsa1@worldbank.org
Allocated: <b>US\$20 million</b> Committed: <b>US\$20 million</b>		Disbursed: <b>US\$0.22 million</b>	Available: <b>US\$19.78 million</b>
<b>Objective:</b> To improve reliability of the power supply in Kabul.			
<b>Component 1:</b> Rehabilitation of 100 MW Naghlu Hydropower Plant in Laghman province (US\$18.9 million)			
<b>Component 2:</b> Supervisory Engineer for Rehabilitation of Naghlu Hydropower Plant (US\$1.1 million)			
<b>Implementation Progress</b>			
<p>The entire US\$20 million grant amount is fully committed. The contract for the rehabilitation of the Naghlu Hydropower Station with Technopromexport (Russia), and co-financed with IDA, was signed on August 30, 2006 and became effective on November 30, 2006 following the transfer of the advance payment and establishment of the letter of credit. The contract for the supervision consultant was signed on September 18, 2006 and became effective on December 27, 2006. Almost 15% of the work has already been completed.</p> <p>The contractor mobilized on site in mid January 2007. The operational acceptance test for the first unit (25 MW) is scheduled for the first quarter of 2009, the second unit for the third quarter 2009, the third unit for the fourth quarter 2009, and the fourth and final unit expected to be completed by the 2<sup>nd</sup> quarter of 2010. Payments under the letter of credit will be made against achieving these milestones.</p>			
<b>Issues and Actions:</b>			
Nothing significant to report.			



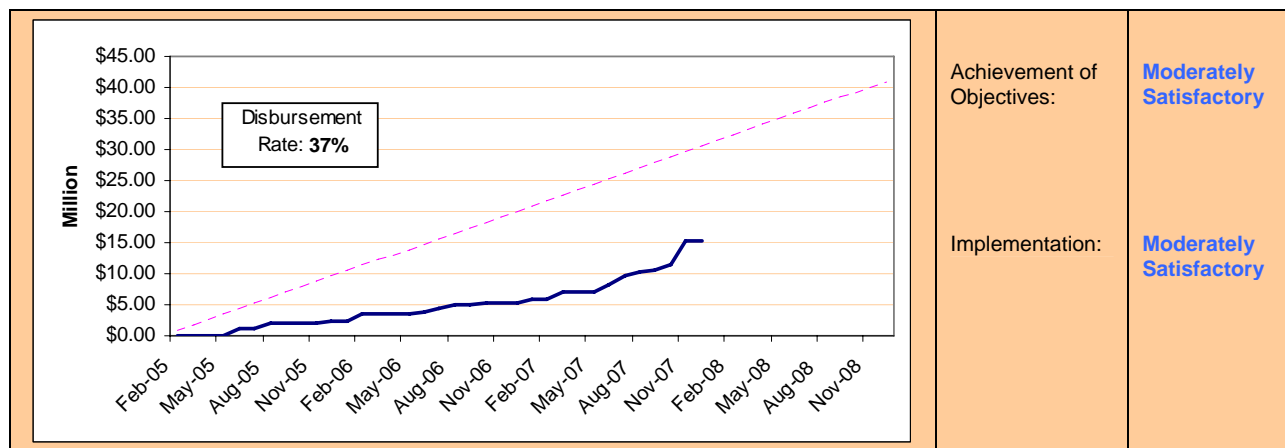
<b>9. URBAN WATER SUPPLY AND SANITATION (TF054729)</b>			<b>Contact:</b> Mrs. Karine Fourmond
Approved: <b>21-Feb-05</b>	Effective: <b>21-Feb-05</b>	Closing: <b>31-Dec-08</b>	kfourmond@worldbank.org
Allocated: <b>US\$41 million</b>		Disbursed: <b>US\$15.30 million</b>	Available: <b>US\$25.70 million</b>
<b>Objective:</b> To provide sustainable, improved water supply and sanitation services to urban areas and to build the technical and institutional foundation for the medium term.			
<b>Component 1:</b> Kabul Water Supply – Upper Kabul River Well-field, Transmission Mains and Distribution Networks.			
<b>Component 2:</b> Kabul Sanitation – Construction of New Facilities for On-site Sanitation and Municipal Solid Waste.			
<b>Component 3:</b> Provincial Towns Water Supply/Sanitation – Rehabilitation and Extension of Systems in 13 Provincial Towns.			
<b>Component 4:</b> Engineering Support and Technical Assistance to Central Authority for Water Supply and Sewerage (CAWSS) and Kabul Municipality.			
<b>Component 5:</b> Financial Support to the Government's Central Authority for Water Supply and Sewerage (CAWSS) Operations.			
<b>Implementation Progress</b>			
<p><b>1. Kabul Water Supply:</b> The construction of boreholes is on-going (6 boreholes are completed in Logar and 4 are underway in Allaudin) and the works are expected to be completed in April. The land acquisition process for the boreholes is almost complete as required under the provisions of the project's Environmental and Social Management Framework. Bids for the second (pipelines and equipment for well fields and pumping stations), third (collector pipes and transmission mains), and fourth (principal and local mains) works packages were received in September 2007 and the bids evaluation reports are finalised. The corresponding construction contracts should be signed in the coming weeks</p>			
<p><b>2. Kabul Sanitation:</b> The consultancies to assist Kabul Municipality in implementing the project are mobilized. Activities to provide Operations Support to the Department of Sanitation are on-going and cover subjects such as public awareness campaign, management information system etc. Several contract for goods and small works are on-going, including a co-composting pilot which was just completed and the conduction of a workshop for the Department of Sanitation. Bids for disposal facilities (upgrading of Chamtala dumpsite and construction of sludge/septage disposal station) were received in December 2007 whereas the concept for the continuation of mid-scale, low cost co-composting activities is being worked out.</p>			
<p><b>3. Provincial Towns Water Supply/Sanitation:</b> This project component covers Sheberghan, Mazar-i-Sharif, Taloqan, Charikar, Jalalabad, Metherlam, Gardez, Ghazni, Kandahar, Qalat and Maimana, Puli Khumri, and Zaranj. Four contracts for goods amounting to US\$9.98 million were signed in January 2007, letters of credit were opened, and some 400 containers are currently being received in Afghanistan from various places across the world after due inspections at shipment. Bids for drilling and pipe laying works were received in August 2007 and the corresponding contracts are currently being signed whereas a few lots have to be re-tendered. Following the conduction of geo-technical investigations, the design of several reservoirs was finalized and the corresponding works are about to be tendered.</p>			
<p><b>4. Engineering Support and TA:</b> Contracts with technical support agencies are on-going on all project components. Contracts with a total of six individual advisors for MUD, CAWSS and Kabul Municipality have been extended and up to nine individual consultants have been funded under this project. This technical support is enabling the government to prepare follow-on operations for the medium-term program (IDA-financed Urban Water Sector Project (approved in FY06) and proposed Urban Waste Management Project for IDA FY08/09). A Working Group for the corporatisation of CAWSS, mandated</p>			

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

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

**Issues and Actions:**

Implementation of the major investments has now started and will be fully deployed by the end of the winter. Some major construction contracts are currently being signed and the ARTF Grant is progressively moving in to a situation of over-commitment, highlighting a funding gap. The project closing date will have to be extended to reflect the construction schedule which has now been fully clarified.



Achievement of Objectives:

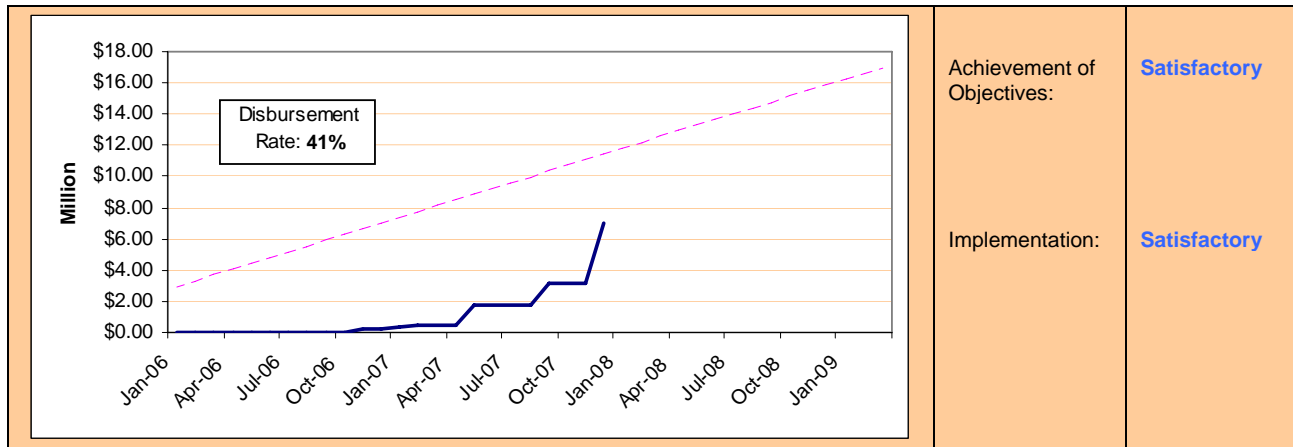
**Moderately Satisfactory**

Implementation:

**Moderately Satisfactory**

<b>10. EDUCATION QUALITY IMPROVEMENT PROGRAM (EQUIP) (TF054730)</b>			<b>Contact:</b> Mrs. Scherezad Joya Monami Latif
Approved: <b>01-Jun-05</b>	Effective: <b>01-Jun-05</b>	Closing: <b>31-Dec-09</b>	slatif@worldbank.org
Allocated: <b>US\$17 million</b>		Disbursed: <b>US\$7 million</b>	Available: <b>US\$10 million</b>
<p><b>Objective:</b> To strengthen and support capacity of (a) schools and communities to better manage teaching/learning activities; (b) human resources (teachers, principals and educational administration personnel) and physical facilities; and (c) District Education Departments, Provincial Education Departments and the Ministry of Education (MoE). The program promotes education for girls by giving priority to female teachers and students within each component activity.</p>			
<p><b>Component 1:</b> School Grants for Quality Enhancement and Infrastructure Development</p> <p><b>Component 2:</b> Institutional and Human Resources Development</p> <p><b>Component 3:</b> Policy Development, Monitoring and Evaluation</p>			
<p><b><u>Implementation Progress</u></b></p> <p>Implementation progress has been satisfactory. EQUIP has been declared the national program and is being implemented in all 34 provinces of the country.</p> <p><b>Achievements so far:</b></p> <ul style="list-style-type: none"> <li>• Remarkable progress has been made in increasing rates of female participation notably, the dramatic increase in girls' enrollments and in the number of female teachers.</li> <li>• EQUIP has been very successful in mobilizing communities for establishing School Management Committees and Parent Teacher Association under the quality grants enhancement subcomponent. Refresher programs will be needed to deepen community understanding of quality education. After school-level preparatory activities (including school surveys, awareness programs, community mobilization, and PTA training), about 2,480 (91% of original target) SMCs have been established. All 2,480 SMCs have prepared SIPs, following the relevant training to SMC/PTAs, and provincial and district educational departments. So far, 1,075 SMCs are implementing quality grants according to agreed criteria</li> <li>• There has been satisfactory progress in infrastructure development: (i) community participation in school construction has been significant; (ii) a menu of cost effective alternative designs has been developed. Technical supervision and enhanced monitoring of construction sites will need to be strengthened. 500 schools would have been built by the end of the project.</li> <li>• The modality for the national in service teacher training program has been established under the multi-donor supported teacher education program. A district based teacher training team scheme will be implemented to jump start teacher training activities in the next two years. A basic monitoring and evaluation systems in EQUIP is in place. Most notable has been the successful completion of the national school survey under the Educational Management Information System. The data is being further analyzed but initial analysis finds it to be relatively reliable.</li> <li>• Project management has improved significantly since EQUIP effectiveness; greater effort needs to be made in strengthening coordination across departments.</li> </ul> <p>The entire ARTF Grant is committed and is expected to be disbursed by mid 2008.</p>			
<p><b><u>Issues and Actions:</u></b></p> <p>Deteriorating security remains the chief concern and a bottleneck to speedier implementation in specific conflict areas. Second, predictable funding is key to ensuring that EQUIP can continue to expand to reach all provinces.</p>			





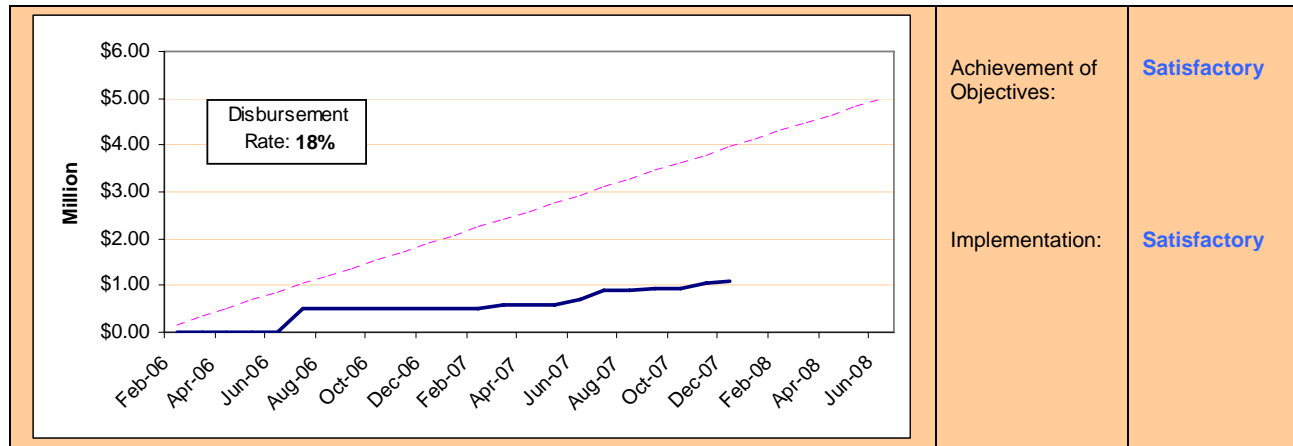
Achievement of Objectives:

**Satisfactory**

Implementation:

**Satisfactory**

<b>11. RURAL WATER SUPPLY AND SANITATION (TF055447))</b>			<b>Contact:</b> Mrs. Karine Fourmond
Approved: <b>15-Dec-05</b>	Effective: <b>26-Feb-06</b>	Closing: <b>30-Jun-08</b>	<a href="mailto:kfourmond@worldbank.org">kfourmond@worldbank.org</a>
Allocated: <b>US\$5 million</b>		Disbursed: <b>US\$1.11 million</b>	Available: <b>US\$3.89 million</b>
<p><b>Objective:</b> To improve the health of rural communities by increasing awareness through integration of health and hygiene education with the provision of safe and sustainable water supply and sanitation services in eight provinces (Baghlan, Takhar, Kundoz, Kabul, Badghis, Samangan, Jowzjan, and Sari Pul); to strengthen and build the capacities of government (central and provincial) for sector development and that of NGOs, the private sector and the communities to scale up provision of safe and sustainable water supply and sanitation services.</p>			
<p><b>Component 1:</b> Strengthening Capacity of Entities and Communities  <b>Component 2:</b> Construction of Water Points and Sanitary Latrines in Rural Areas  <b>Component 3:</b> Carrying out Studies for Developing Service Delivery Mechanism</p>			
<p><b><u>Implementation Progress</u></b></p> <p>After the MRRD recruited a Project Manager in August 2006, a Project Implementation Unit was established in the Watsan department of the Ministry of Rural Rehabilitation and Development. Procurement which is staffed with various local advisors, finance and MIS specialists as well as engineers on deputation and drivers. In light of the forthcoming requirements for supervision of implementation in the field, the PIU is being recently strengthened with a project assistant and additional drivers.</p> <p>Support Organizations were mobilized in February 2007 and software activities could then be initiated. The planning phase is now completed with district demand collection and provincial planning having resulted in the selection of 4 target districts in each of the 8 provinces in which the project is being implemented. In these 32 selected districts, action plans for selection of sub-projects have been finalized at the community level together with necessary engineering designs and Support Organisations are now moving into supervision of construction activities. Hygiene and sanitation promotion and O&amp;M training efforts are taking place in all the project villages through mobilization of hygiene promoters / visits to households and identification / training district mechanisms and water points caretakers.</p> <p>Procurement of works for construction of water points and sanitary latrines (21 contracts worth US\$ 2.519 mln) was completed for all 8 provinces in 2 batches (each contract duration being 150 days or 5 months). Construction contracts were signed between August and October 2007 and construction partners are now mobilised. The procurement of works for gravity pipe schemes is imminent (12 contracts worth US\$ 0.523 mln) and the procurement modalities (NCB vs community contracting) are being finalized. Implementation modalities for community procurement / contracting through Community Development Councils (CDCs) were clarified by MRRD and approved by MOF. The progress related to the contracting out of the various studies has been very slow while the actual needs of the sector do evolve and the project will review the need, scope of the studies and finalise their contracting during the winter. Key subjects include the independent review of various implementation models being previously implemented by different actors, setting up frameworks for small towns, peri-urban areas and multi-village schemes - as well as for rural drinking water quality management, and conceptualizing the architecture of what could be a comprehensive M&amp;E system.</p> <p>Issues associated with a potential scale up include the need for fine tuning the implementation arrangements, and explicating the articulation with the NSP and broader provincial planning efforts.</p>			
<p><b><u>Issues and Actions:</u></b></p> <p>Deterioration in security conditions remain a concern and continue to affect implementation progress and quality of supervision. A second extension of the closing date by another 6 months is currently being processed while an official request for a follow on operation was just conveyed by the MOF.</p>			

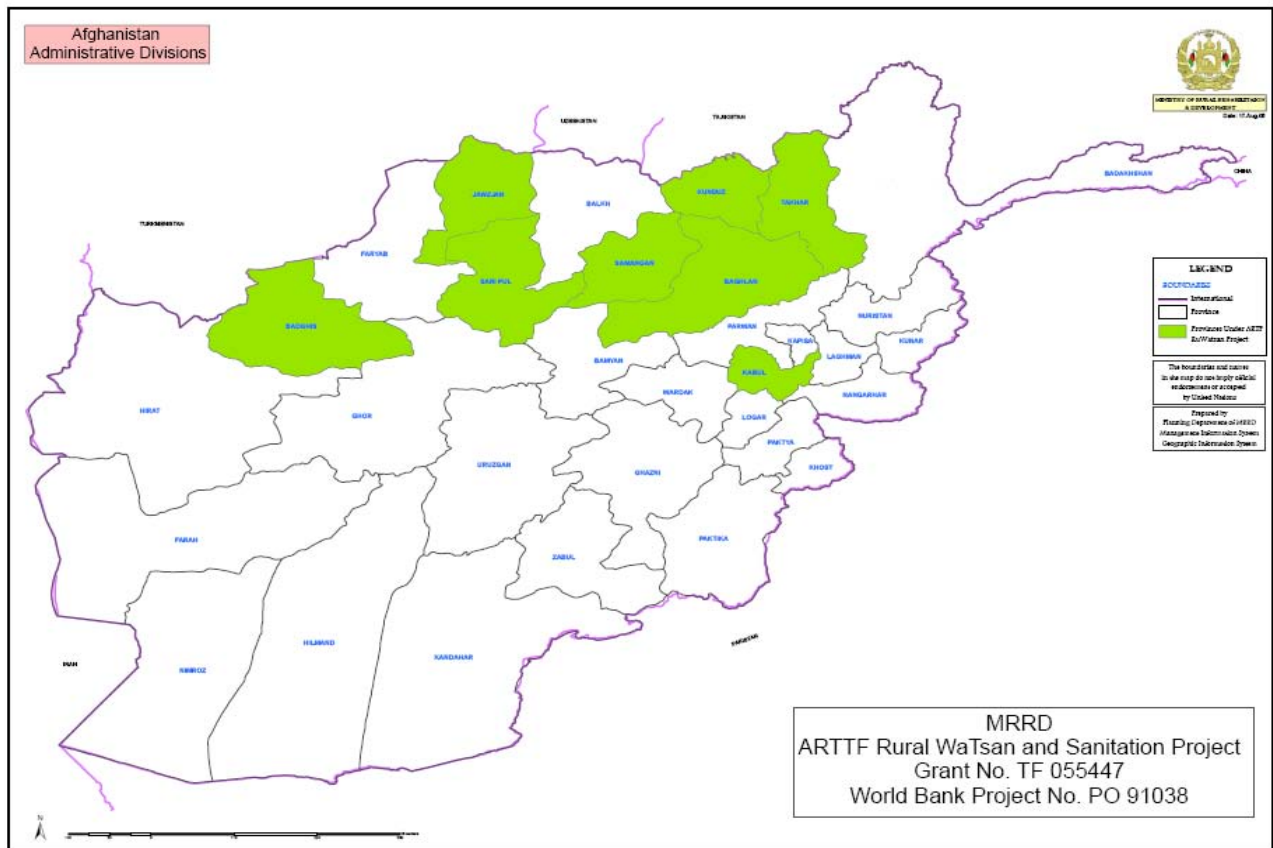


Achievement of Objectives:

**Satisfactory**

Implementation:

**Satisfactory**





**ANNEX 2:  
Recurrent Cost Financing**



## ANNEX 2: Recurrent Cost Financing

### Detailed Analysis of Budget Execution and Eligibility Trends

#### 1. SY1385 Recurrent Budget Execution

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

**Table 1: SY1386 Budget versus Actual Expenditures**

	<b>Payroll</b> AFN m	<b>O&amp;M</b> AFN m	<b>SY1386</b> AFN m	<b>SY1385</b> AFN m
Initial Budget SY1386 (1)	30,584	11,082	41,666	37,667
Add: Mid year budget review (2)	2,431	3,116	5,547	4,807
Defence, Interior, National Security, Presidential Protection Services	(18,522)	(4,226)	(22,748)	(16,865)
<b>Budget Ministries qualified for financing</b>	<b>14,493</b>	<b>9,972</b>	<b>24,465</b>	<b>25,609</b>
Actual expenditures for year	21,625	10,826	32,451	43,041
Defence, Interior, National Security, Presidential Protection Services	(10,563)	(2,240)	(12,803)	(17,466)
Advances	(14)	(1,025)	(1,039)	(214)
<b>Expenditures Ministries qualified for financing</b>	<b>11,048</b>	<b>7,561</b>	<b>18,609</b>	<b>25,361</b>
Actual expenditures in percentage of adjusted budgeted expenditures	76.2	75.8	76.1	99.0
<b>Remaining budget</b>	<b>3,445</b>	<b>2,411</b>	<b>5,856</b>	<b>248</b>
Remaining budget in percentage of initial budget	23.8	24.2	23.9	1.0

(1) Ordinary budget for the year SY1385

(2) The mid-year budget review for SY1386 has not yet occurred.

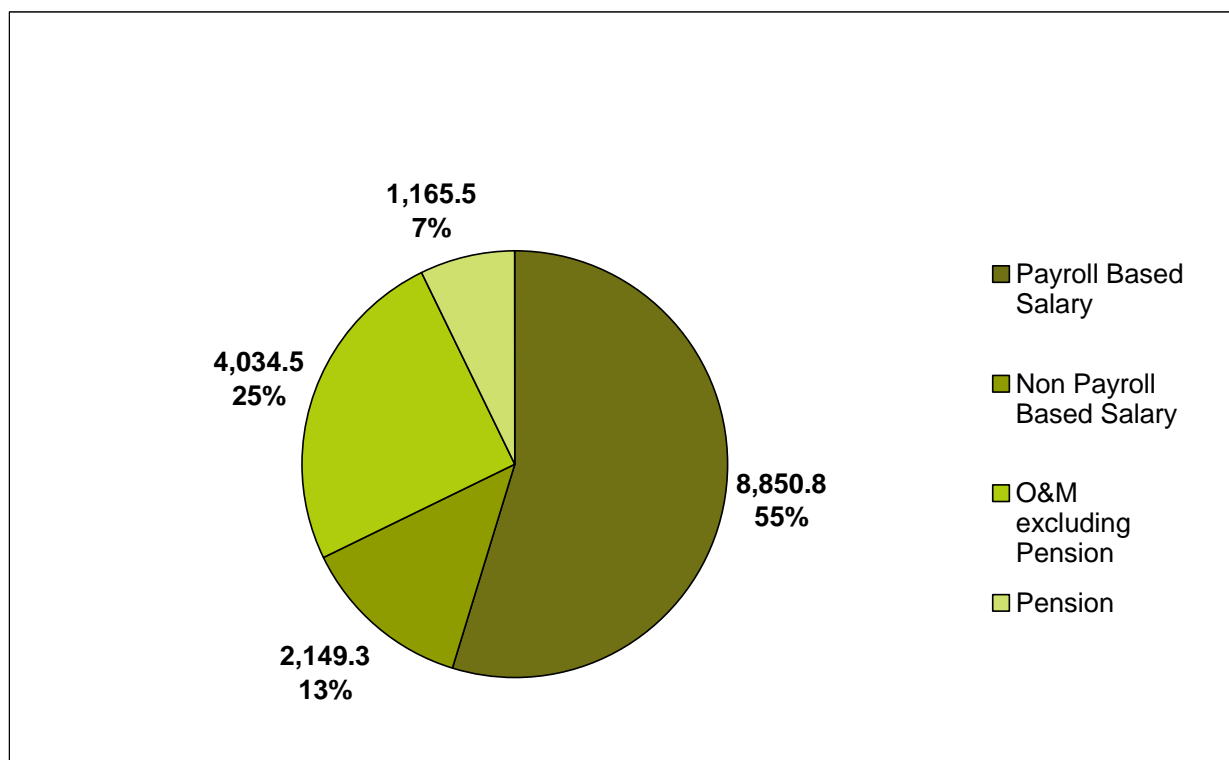
Source: Monitoring Agent 3rd Quarter SY1386 Report

#### 2. SY1386 Distribution among Cost Categories

Chart 1 presents the distribution of AFN 16,200 million in eligible expenditure for SY1386 among the four broad cost categories financed by the ARTF. *Payroll expenditures* are divided into Payroll-based salary expenditure (PBSE) comprising all payroll based salary expenditures including gross salary, food allowance, education level allowance, PRR payment and bonus payrolls. And non-payroll-based salary expenditure (NPBSE) comprises all expenditures classified in AFMIS as wages/ payroll but supported by documents other than payroll, such as assistance payments to employees and transportation expenses. *O&M expenditures* are broken into O&M expenditure excluding pensions (OM-P) comprising all recurrent expenditures recorded in AFMIS not included in one of the other categories, and Pensions (P) comprising pension payments by the Ministry of Martyr and Disabled.

The difference between the data presented in Table 1 bolded line “Expenditures SY1386 Ministries qualified for financing” and the amount in Chart 1 below is due to the fact that the initial budget figures (Table 1) do not provide sufficient details to be able to further adjust the budget for the category “other not qualified for financing”. In other words, Table 1 reflects some budgetary expenditures which are ineligible for reasons unrelated to their Ministry of origin; these expenditures are not part of the amount of AFN 16,200 million whose breakdown is reflected below in Chart 1.

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



Source: Monitoring Agent December 21, 2007 Report

### 3. ARTF Funding of Recurrent Costs by Line Ministry

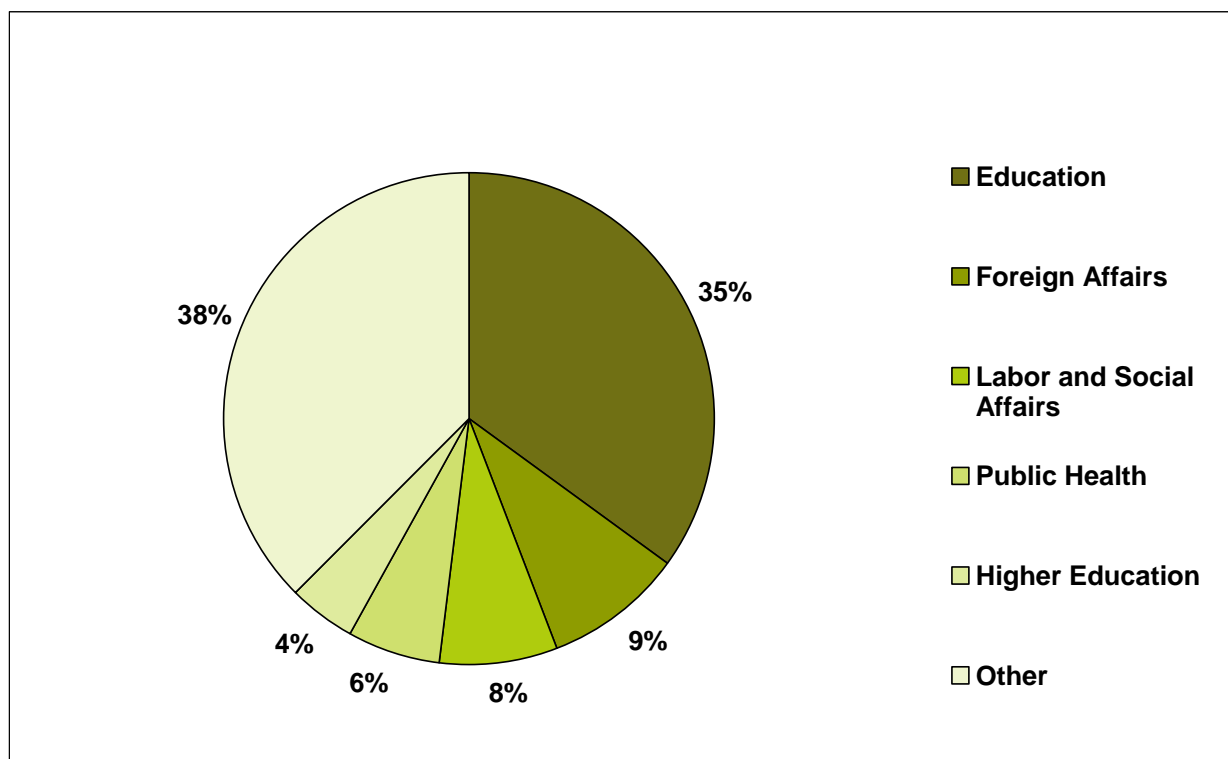
As of December 21, 2007, 62% (SY1385: 63%) of total disbursements of payroll and O&M expenditures from the ARTF were related to 5 out of 46 line ministries and independent budget agencies as shown in the Chart 2 below.

Comparison of disbursement information of SY1386 to SY1385 shows that the ministries responsible for the highest disbursements have remained mostly the same.

The main beneficiary of the ARTF funds is the Ministry of Education. The high level of expenditure within this Ministry is mainly caused by salaries of teachers, who represent almost a half of all Afghan civil servants.



**Chart 2: SY1386 Disbursements by Ministry**



Source: Monitoring Agent December 21, 2007 Report

As shown in Table 2, the top ten largest expending ministries comprised approximately 77 percent of the total recurrent cost financed from the ARTF up to Q3 of SY1386.

**Table 2 – Top 10 Ministries by Expenditure for Q1-Q3 of SY1386 (in US\$ thousands)**

Ministries	Q1	Q2	Q3	Total	%
Ministry of Education	14,330	48,841	14,390	77,562	34.9%
Ministry of Foreign Affairs	7,767	9,156	3,445	20,368	9.2%
Ministry of Labor & Social Affairs	3,605	10,774	2,933	17,313	7.8%
Ministry of Public Health	4,903	6,781	1,917	13,602	6.1%
Ministry of Higher Education	2,990	5,027	1,588	9,605	4.3%
Administrative Affairs	3,003	3,050	1,453	7,506	3.4%
National Assembly Wolesi Jirga	2,895	3,015	1,105	7,015	3.2%
Ministry of Finance	2,082	3,355	1,192	6,629	3.0%
Ministry of Agriculture	1,442	3,721	761	5,924	2.7%
Ministry of Information and Culture	1,186	2,650	1,011	4,847	2.2%
<b>Total</b>	<b>44,204</b>	<b>96,371</b>	<b>29,795</b>	<b>170,370</b>	<b>77%</b>

## 4. Trends of the Eligibility of Submitted Expenditures

### Eligibility

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

#### Box 1: ARTF Eligibility Criteria

##### **Government Regulations**

The Annual Budget Decree: since ARTF provides budget support to the government, expenditures can be found eligible only if they are included in the yearly budget; ARTF's share of financing this yearly budget is approved by the ARTF Management Committee.

Other. All goods and services must be procured and accounted for in accordance with government law and regulations. If an expenditure does not comply with local regulations it will not be considered to be eligible for financing by ARTF. It is important to note that the Afghan procurement law allows for procurement to conform to donor requirements (article 50 sub 1).

##### **ARTF Grant Agreement**

All military and security related expenditures are ineligible for financing.

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

##### **Fiduciary Standards**

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

### Current Performance

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

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

The increase in the approval rate (from 84.9 percent to 92.5 percent) for payroll SY1385 reflects the approval of increased headcount caps, especially for the Ministry of Education.

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

		Submitted by MoF to MA			Approved by MA and by WB					
		O&M USD	Payroll USD	Total USD	O&M USD	Payroll USD	Total USD	O&M %	Payroll %	Total %
1381	Total	42,239	87,917	130,157	27,318	87,690	115,007	64.7%	99.7%	88.4%
1382	Total	300,478	120,204	420,682	41,737	111,241	152,978	13.9%	92.5%	36.4%
1383	Total	82,164	202,038	284,202	61,433	186,199	247,633	74.8%	92.2%	87.1%
1384	Total	104,100	227,858	331,958	75,014	193,520	268,533	72.1%	84.9%	80.9%
1385	Q1	13,704	35,961	49,665	13,290	35,961	49,251	97.0%	100.0%	99.2%
	Q2	41,219	80,727	121,945	36,403	77,039	113,442	88.3%	95.4%	93.0%
	Q3	35,089	69,162	104,251	25,971	62,973	88,944	74.0%	91.1%	85.3%
	Q4	58,172	94,453	152,626	20,024	83,342	103,366	34.4%	88.2%	67.7%
	Total	148,184	280,303	428,487	95,688	259,315	355,003	64.6%	92.5%	82.9%
1386	Q1	18,415	40,710	59,125	18,415	40,710	59,125	100.0%	100.0%	100.0%
	Q2	41,315	91,544	132,859	33,853	87,857	121,711	81.9%	96.0%	91.6%
	Q3	11,306	27,492	38,798	10,746	25,839	36,585	95.0%	94.0%	94.3%
	Total	71,035	159,746	230,781	63,014	154,406	217,420	88.7%	96.7%	94.2%
<b>Grand total</b>		<b>748,200</b>	<b>1,078,065</b>	<b>1,826,266</b>	<b>364,204</b>	<b>992,371</b>	<b>1,356,574</b>	<b>48.7%</b>	<b>92.1%</b>	<b>74.3%</b>

Source: SoE submitted to World Bank

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

The low approval rate of O&M expenditure in SY1385 is due to the high ineligibility of O&M-P expenses in the Headquarters principally from deviation from government's procurement procedures.

The approval rate for payroll is in line with the rate for SY1385. The approval rate for payroll usually decreases during the year as the effect of the fiduciary standard disapproving payrolls received more than three months after the month they relate to becomes more apparent.

The approval rate in SY1386 for O&M expenditure is still high but in line with the rate for SY1385. The approval rate for O&M is expected to decrease during the year as a larger share of O&M expenditure will have been monitored.

Table 4 indicates the total ineligibility of SY1386 (AFN 1,434.3 m) caused by non-compliance with each of the three main causes (Government, ARTF and FS). Charts 3 and 4 depict the causes by type of eligibility rule and by category of expenditure, respectively.

The ineligibility in Payroll Based Salary Expenditure is more diverse than in previous years when almost all ineligibility was caused by non-compliance with Fiduciary Standards. This is mainly caused by Payroll expenditure for embassies (Ministry of Foreign Affairs) that were not supported with Payroll documents.

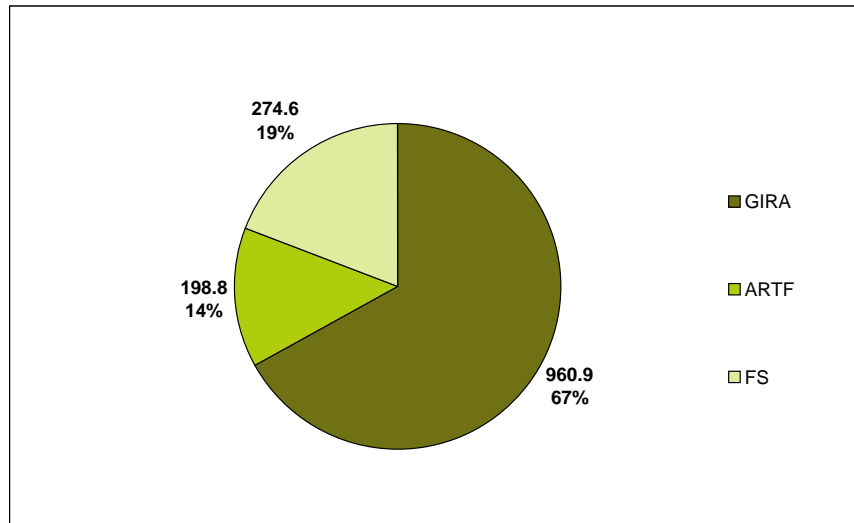
The major cause of ineligibility is non-compliance with GIRA requirements in the OM-P Expenditure. This is mostly caused by non-compliance with procurement regulations.

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

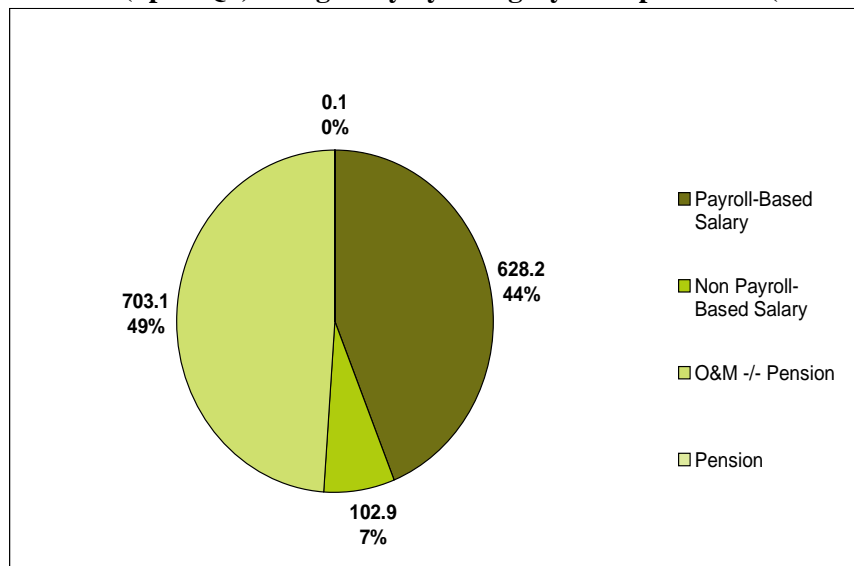
<i>AFN million</i>	<b>GIRA</b>	<b>ARTF</b>	<b>FS</b>	<b>Cum. Total SY1386</b>
Payroll Based Salary	243.1	141.6	243.5	<b>628.2</b>
Non Payroll Based Salary	65.1	11.8	26.0	<b>102.9</b>
<b>Total Payroll</b>	<b>308.2</b>	<b>153.4</b>	<b>269.5</b>	<b>731.1</b>
O&M excluding Pension	652.7	45.3	5.1	<b>703.1</b>
Pension	0.0	0.1	0.0	<b>0.1</b>
<b>Total Operations and Maintenance</b>	<b>652.7</b>	<b>45.4</b>	<b>5.1</b>	<b>703.2</b>
<b>Cumulative total SY1386</b>	<b>960.9</b>	<b>198.8</b>	<b>274.6</b>	<b>1,434.3</b>

Table derived from monitoring site visit findings up to and including December 21, 2007. For definitions of column headings see Box 1.

**Chart 3: SY 1386 (up to Q3) Total Ineligibility by Main Cause (in AFN million)**



**Chart 4: SY 1386 (up to Q3) Ineligibility by Category of Expenditure (in AFN million)**



## **5. Financial Management in the National Government**

### **Audit of SY1385**

The audit report for the financial statements of the ARTF Recurrent Cost Financing were presented in December 2007 to the Administrator. The report is being reviewed and will be shared shortly with Donors. Review of the National Budget was completed in mid-September 2007.

### **Public Financial Management**

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

### **Procurement Management**

The government established a central facility for procurement that has finalized more than 400 contracts, with a total value above US\$1 billion, using internationally accepted standards.

### **Audit**

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

### **Analytical and Advisory Work**

A major review of Afghan PEFA indicators was performed in 2005 by the Administrator. This PEFA study is being updated and a detailed report will be shared with the Donors in 2008.

The main findings of the assessment suggest that:

- Strong progress has been made on fiscal discipline. There remain significant fiscal risks, however, due to the lack of a more explicit multi-year framework and also because some risks--such as those associated with state-owned enterprises and municipalities--are poorly monitored.
- Progress has also been strong in terms of collecting adequate information. The challenges are mainly related to flows of information from provinces, and information flows on donor-funded operations which are outside the Treasury system.
- Budget policy remains constrained by weak capacity. Although making the budget the central instrument of policy and reform is a key objective of the government, the policy orientation of the budget remains constrained by the government's insufficient capacity and the very large external budget funded directly by donors and executed outside government budgetary channels. The budget process is orderly, but work remains to be done to link the budget more closely to the government's development strategy and to a medium-term perspective.
- At the aggregate level, the government has presented realistic budgets for operating expenditures. However, the distribution across ministries and functions fluctuates significantly, and the development budget has often been based on less realistic assumptions, reducing the usefulness of the budget as an instrument to implement the government's policies.
- The annual budget for the national government, the reporting on budget execution, and the information published on the government's website are satisfactory in terms of transparency and

comprehensiveness. Public disclosure by the government of financial information on state-owned enterprises and municipalities, as well as on audit findings, is extremely limited, however.

### **Treasury Operations at Present**

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

### **Internal Control at MoF**

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

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

## **6. Capacity Building in Public Financial Management**

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

### **ANNEX 3: ARTF Financial Tables**

These tables show the financial situation of ARTF at December 21, 2007. 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)

21-Dec-2007

Donor	SY 1381	SY 1382	SY 1383	SY 1384	SY 1385	SY 1386					SY 1381-86	SY 1381-86	SY 1381-86	SY 1381-86
	Total	Total	Total	Total	Total	Total	Signed	Un-signed	Total	% of	Total	% of	Total	% of
	Paid-in	Paid-in	Paid-in	Paid-in	Paid-in	Paid-in	Pledges	Pledges	SY 1386	Total	Total	Total	Total	Total
Australia	0.000	2.635	6.268	7.654	5.836	2.089	0.000	0.000	2.089	0.3%	24.482	1.0%	24.482	1.1%
Bahrain	0.000	0.504	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	0.504	0.0%	0.504	0.0%
Canada	11.998	50.093	5.491	72.343	58.863	213.461	0.000	0.000	213.462	31.2%	412.249	17.2%	412.249	18.8%
Denmark	5.000	5.000	3.163	3.916	4.343	8.426	0.000	0.000	8.426	1.2%	29.848	1.2%	29.848	1.4%
EC/EU	15.871	52.720	47.595	58.771	52.720	0.000	71.945	0.000	71.945	10.5%	299.622	12.5%	227.677	10.4%
Finland	2.792	2.451	6.126	0.000	2.418	5.404	0.259	0.000	5.663	0.8%	19.451	0.8%	19.192	0.9%
Germany	10.068	11.443	15.941	1.230	20.474	26.608	28.778	14.389	69.775	10.2%	128.931	5.4%	85.764	3.9%
India	0.200	0.200	0.000	0.400	0.200	0.200	0.000	0.000	0.200	0.0%	1.200	0.1%	1.200	0.1%
Iran, Islamic Rep	0.000	0.989	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	0.989	0.0%	0.989	0.0%
Ireland	1.000	1.699	1.814	0.612	1.276	0.000	0.000	0.000	0.000	0.0%	6.401	0.3%	6.401	0.3%
Italy	17.000	0.000	6.539	0.000	9.223	8.804	0.000	0.000	8.804	1.3%	41.565	1.7%	41.565	1.9%
Japan	5.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	5.000	0.2%	5.000	0.2%
Korea, Republic of	2.000	2.000	2.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	6.000	0.3%	6.000	0.3%
Kuwait	5.000	5.000	5.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	15.000	0.6%	15.000	0.7%
Luxembourg	1.000	0.000	0.000	0.605	1.563	1.070	0.000	0.000	1.070	0.2%	4.238	0.2%	4.238	0.2%
Netherlands	33.667	41.151	46.415	29.664	50.805	39.765	0.000	0.000	39.765	5.8%	241.467	10.1%	241.467	11.0%
New Zealand	0.000	0.000	0.000	0.000	0.628	0.000	0.000	0.000	0.000	0.0%	0.628	0.0%	0.628	0.0%
Norway	6.818	29.630	9.913	22.544	23.215	25.383	0.000	0.000	25.383	3.7%	117.504	4.9%	117.504	5.3%
Poland	0.000	0.000	0.000	0.000	0.290	0.000	0.270	0.000	0.270	0.0%	0.560	0.0%	0.290	0.0%
Portugal	0.000	0.457	0.725	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	1.182	0.0%	1.182	0.1%
Saudi Arabia	10.000	5.000	5.000	0.000	5.000	0.000	0.000	0.000	0.000	0.0%	25.000	1.0%	25.000	1.1%
Spain	0.000	0.000	0.000	0.000	0.000	22.076	0.000	0.000	22.076	3.2%	22.076	0.9%	22.076	1.0%
Sweden	3.103	5.982	25.905	12.839	14.680	14.812	5.323	0.000	20.134	2.9%	82.643	3.5%	77.320	3.5%
Switzerland	0.673	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	0.673	0.0%	0.673	0.0%
Turkey	0.500	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	0.500	0.0%	0.500	0.0%
UNDP	0.000	2.411	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.0%	2.411	0.1%	2.411	0.1%
United Kingdom	15.079	47.096	103.062	131.473	128.487	120.800	23.463	0.000	144.263	21.1%	569.459	23.8%	545.996	24.8%
United States	38.000	20.000	89.591	62.000	73.900	0.000	51.000	0.000	51.000	7.5%	334.491	14.0%	283.491	12.9%
<b>TOTAL</b>	<b>184.768</b>	<b>286.461</b>	<b>380.548</b>	<b>404.050</b>	<b>453.921</b>	<b>488.899</b>	<b>181.038</b>	<b>14.389</b>	<b>684.325</b>	<b>100.0%</b>	<b>2394.072</b>	<b>100.0%</b>	<b>2198.646</b>	<b>100.0%</b>

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

**Table 2 - Expressed Donor Preferences By Projects**  
 Paid-In, Committed, Pledged  
 December 21, 2007  
 (US\$ Million)

Donor	Curr	Program	SY 1382	SY 1383	SY 1384	SY 1385	SY 1386				Total SY 1381-86		
			Paid-in	Paid-in	Paid-in	Paid-in	Pledged		Paid-in		Total	Expressed Preference	Of which Paid-in
			US\$	US\$	US\$	US\$	Own Curr.	US\$ Est.	Own Curr.	US\$	SY 1386		
Norway	NOK	Civil Service Capacity Building	0.000	2.918	3.102	0.000	0.000	0.000	0.000	0.000	0.000	6.020	6.020
United States	USD	Civil Service Capacity Building	0.000	4.300	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4.300	4.300
		<b>Total Civil Service Capacity Building</b>	<b>0.000</b>	<b>7.218</b>	<b>3.102</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>10.320</b>	<b>10.320</b>
Canada	CAD	Education - EQUIP	0.000	0.000	0.000	0.000	0.000	0.000	30.000	29.797	29.797	29.797	29.797
Germany	EUR	Education - EQUIP	0.000	0.000	0.000	0.000	10.000	14.389	0.000	0.000	14.389	14.389	0.000
Netherlands	USD	Education - EQUIP	0.000	0.000	0.000	0.000	0.000	0.000	4.000	4.000	4.000	4.000	4.000
Norway	NOK	Education - EQUIP	0.000	4.607	0.000	0.000	0.000	0.000	30.000	5.130	5.130	9.738	9.738
		<b>Total Education - EQUIP</b>	<b>0.000</b>	<b>4.607</b>	<b>0.000</b>	<b>0.000</b>	<b>10.000</b>	<b>14.389</b>	<b>38.928</b>	<b>53.317</b>	<b>57.924</b>	<b>43.535</b>	<b>43.535</b>
Canada	CAD	Horticulture and Livestock Program	0.000	0.000	0.000	0.000	0.000	0.000	4.000	3.531	3.531	3.531	3.531
United Kingdom	GBP	Horticulture and Livestock Program	0.000	0.000	0.000	0.000	0.000	0.000	1.000	1.977	1.977	1.977	1.977
		<b>Total Horticulture and Livestock Program</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>5.000</b>	<b>5.508</b>	<b>5.508</b>	<b>5.508</b>	<b>5.508</b>
Australia	AUD	Microfinance for Poverty Reduction	0.000	0.000	0.000	0.778	0.000	0.000	1.250	1.045	1.045	1.823	1.823
Canada	CAD	Microfinance for Poverty Reduction	4.708	5.491	12.847	24.165	0.000	0.000	40.000	38.832	38.832	86.043	86.043
Denmark	DKK	Microfinance for Poverty Reduction	0.000	0.000	1.625	2.110	0.000	0.000	8.000	1.465	1.465	5.201	5.201
Finland	EUR	Microfinance for Poverty Reduction	0.000	0.000	0.000	0.000	0.000	0.000	1.000	1.367	1.367	1.367	1.367
Netherlands	USD	Microfinance for Poverty Reduction	0.000	0.000	0.000	0.000	0.000	0.000	2.500	2.500	2.500	2.500	2.500
Sweden	SEK	Microfinance for Poverty Reduction	0.000	2.220	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.220	2.220
United Kingdom	GBP	Microfinance for Poverty Reduction	0.000	3.782	14.542	9.312	0.000	0.000	5.000	9.846	9.846	37.482	37.482
United States	USD	Microfinance for Poverty Reduction	0.000	5.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	5.000	5.000
		<b>Total Microfinance for Poverty Reduction</b>	<b>4.708</b>	<b>16.493</b>	<b>29.015</b>	<b>36.365</b>	<b>0.000</b>	<b>0.000</b>	<b>55.055</b>	<b>55.055</b>	<b>141.636</b>	<b>141.636</b>	<b>141.636</b>
Australia	AUD	National Emergency Employment Program	0.000	0.000	0.000	0.778	0.000	0.000	0.000	0.000	0.000	0.778	0.778
Canada	CAD	National Emergency Employment Program	0.000	0.000	0.000	1.277	0.000	0.000	3.300	3.363	3.363	4.640	4.640
United Kingdom	GBP	National Emergency Employment Program	0.000	0.000	18.238	13.909	0.000	0.000	0.000	0.000	0.000	32.147	32.147
United States	USD	National Emergency Employment Program	0.000	0.000	2.000	0.000	20.000	20.000	0.000	0.000	20.000	22.000	2.000
		<b>Total National Emergency Employment Program</b>	<b>0.000</b>	<b>0.000</b>	<b>20.238</b>	<b>15.964</b>	<b>20.000</b>	<b>20.000</b>	<b>3.363</b>	<b>23.363</b>	<b>59.565</b>	<b>39.565</b>	<b>39.565</b>
Australia	AUD	National Solidarity Program	0.000	0.000	0.000	0.778	0.000	0.000	0.000	0.000	0.000	0.778	0.778
Canada	CAD	National Solidarity Program	10.985	0.000	14.339	17.830	0.000	0.000	80.000	77.238	77.238	120.392	120.392
Denmark	DKK	National Solidarity Program	0.000	0.000	0.000	0.000	0.000	0.000	20.000	3.663	3.663	3.663	3.663
EC/EU	EUR	National Solidarity Program	0.000	9.694	21.568	13.180	15.000	21.584	0.000	0.000	21.584	66.026	44.442
Finland	EUR	National Solidarity Program	0.000	0.000	0.000	0.000	0.000	0.000	1.000	1.367	1.367	1.367	1.367
Germany	EUR	National Solidarity Program	0.000	6.131	0.000	0.000	8.000	11.511	8.000	10.643	22.154	28.285	16.774
Norway	NOK	National Solidarity Program	0.000	0.000	3.102	9.018	0.000	0.000	30.000	5.130	5.130	17.250	17.250
Sweden	SEK	National Solidarity Program	0.000	0.000	0.000	3.670	10.000	1.578	25.000	3.703	5.281	8.951	7.373
United Kingdom	GBP	National Solidarity Program	5.723	0.000	16.394	9.312	5.000	10.018	0.000	0.000	10.018	41.448	31.429
United Kingdom	USD	National Solidarity Program	0.000	0.000	0.000	0.000	13.445	13.445	0.000	0.000	13.445	13.445	0.000
United States	USD	National Solidarity Program	0.000	10.000	0.000	25.000	15.000	15.000	0.000	0.000	15.000	50.000	35.000
		<b>Total National Solidarity Program</b>	<b>16.707</b>	<b>25.825</b>	<b>55.403</b>	<b>78.789</b>	<b>73.136</b>	<b>73.136</b>	<b>101.745</b>	<b>174.881</b>	<b>351.605</b>	<b>278.469</b>	<b>278.469</b>
Germany	EUR	Private Sector Development	0.000	0.000	0.000	3.199	0.000	0.000	0.000	0.000	0.000	3.199	3.199
		<b>Total Private Sector Development</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>3.199</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>3.199</b>	<b>3.199</b>
Germany	EUR	Public Admin Reform	0.000	0.000	0.000	3.199	0.000	0.000	0.000	0.000	0.000	3.199	3.199
		<b>Total Public Admin Reform</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>3.199</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>3.199</b>	<b>3.199</b>
Norway	NOK	Rural Water Supply and Sanitation	0.000	0.921	2.326	0.000	0.000	0.000	0.000	0.000	0.000	3.248	3.248
		<b>Total Rural Water Supply and Sanitation</b>	<b>0.000</b>	<b>0.921</b>	<b>2.326</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>3.248</b>	<b>3.248</b>
United States	USD	Technical Assistance Feasibility Studies	0.000	1.500	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.500	1.500
		<b>Total Technical Assistance Feasibility Studies</b>	<b>0.000</b>	<b>1.500</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>1.500</b>	<b>1.500</b>
<b>Grand Total</b>			<b>21.415</b>	<b>56.565</b>	<b>110.084</b>	<b>137.516</b>		<b>107.525</b>		<b>204.598</b>	<b>312.123</b>	<b>637.703</b>	<b>530.178</b>

**Table 7 - ARTF Commitments & Disbursements**As of: December 21, 2007  
(US\$ million).

	Comm SY1381 Year End (a)	Disbursed SY1381 Year End	Comm SY1382 Year End (b)	Disbursed SY1382 Year End	Comm SY1383 Year End (c)	Disbursed SY1383 Year End	Comm SY1384 Year End (c)	Disbursed SY1384 Year End	Committed SY1385 Year End (d)	Disbursed SY1385 Year End	Comm YTD <sup>1</sup> SY1386 (e)	Disbursed YTD <sup>1</sup> SY1386	SY1381-86 Total Committed (g)	21-Dec-07 Total Disbursed (h)	Last Month Disbursed	Available (g) - (h)	Disb. Rate (h) / (g)
<b>TF050577 - Recurrent &amp; Capital Costs Component</b>																	
Wages		40.953		145.769		179.321		174.213		216.199		158.169		914.624	36.047		-
O&M		13.655		51.164		55.277		79.035		84.015		65.506		348.652	13.953		-
Debt Service, IMF		0.767		0.000		0.000		0.000		0.000		0.000		0.767	0.000		-
Debt Service, IDA		2.770		3.870		0.000		0.000		0.000		0.000		6.640	0.000		-
Debt Service, ADB		0.000		0.557		0.000		0.000		0.000		0.000		0.557	0.000		-
Bulk Contracts		1.067		12.782		0.557		0.000		0.000		0.000		14.405	0.000		-
<b>Disbursements(A)</b>		<b>59.212</b>		<b>214.144</b>		<b>235.155</b>		<b>253.248</b>		<b>300.213</b>		<b>223.674</b>		<b>1285.646</b>	<b>50.000</b>		
Special Account(Opening) Balance (B)		0.000		51.500		50.603		50.000		50.000		50.000		50.000	50.000		
<b>Net Disbursements(Incl. Advances &amp; Adjustments) (C)</b>	<b>155.000</b>	<b>110.712</b>	<b>195.000</b>	<b>213.246</b>	<b>258.000</b>	<b>234.553</b>	<b>280.000</b>	<b>253.248</b>	<b>299.000</b>	<b>300.213</b>	<b>214.000</b>	<b>223.674</b>	<b>1401.000</b>	<b>1335.646</b>	<b>50.000</b>	<b>65.354</b>	<b>95%</b>
Updated Special Account Balance (B+C-A)		51.500		50.603		50.000		50.000		50.000		50.000		50.000	50.000		
<b>TF050578 - Monitoring Agent [2]</b>	<b>2.000</b>	<b>0.668</b>	<b>0.777</b>	<b>1.407</b>	<b>2.311</b>	<b>2.641</b>	<b>4.640</b>	<b>2.158</b>	<b>7.001</b>	<b>2.534</b>	<b>3.500</b>	<b>2.958</b>	<b>20.229</b>	<b>12.366</b>	<b>0.000</b>	<b>7.862</b>	<b>61%</b>
<b>Closed Investment Projects [3]</b>																	
TF050855 - UNDP Police Pr. 1 & 2	4.836	4.836	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4.836	4.836	0.000	0.000	100%
TF052081 - Microfinance for Poverty Reduction	0.000	0.000	1.000	0.358	0.000	0.335	0.000	0.306	0.000	0.000	0.000	0.000	1.000	1.000	0.000	0.000	100%
TF052366 - UNDP Police 3	0.000	0.000	16.800	16.800	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	16.800	16.800	0.000	0.000	100%
TF052475 - Telecom & Microwave Link	0.000	0.000	3.000	0.150	3.130	1.029	0.000	3.069	0.000	1.522	-0.119	0.241	6.011	6.011	0.000	0.000	100%
TF052482 - Kabul Roads and Drainage System	0.000	0.000	3.000	0.000	0.000	2.910	0.000	0.000	-0.172	-0.113	-0.031	0.000	2.797	2.797	0.000	0.000	100%
TF052735 - Strengthening Financial Capacity of the Government	0.000	0.000	5.100	2.046	0.000	0.255	0.000	1.380	-1.041	0.378	0.000	0.000	4.059	4.059	0.000	0.000	100%
TF053939 - National Solidarity Program	0.000	0.000	0.000	0.000	27.000	26.618	71.900	47.582	58.500	82.038	13.100	12.568	170.500	168.806	0.000	1.694	99%
<b>Subtotal Closed Investment Projects [3]</b>	<b>4.836</b>	<b>4.836</b>	<b>28.900</b>	<b>19.354</b>	<b>30.130</b>	<b>31.147</b>	<b>71.900</b>	<b>52.337</b>	<b>57.287</b>	<b>83.825</b>	<b>12.950</b>	<b>12.809</b>	<b>206.003</b>	<b>204.309</b>	<b>0.000</b>	<b>1.694</b>	<b>99%</b>
<b>Current Investment Projects [4]</b>																	
TF050970 - Technical Assistance Feasibility Studies	0.000	0.000	8.000	2.523	6.000	3.881	4.500	2.905	0.000	3.281	0.000	2.567	18.500	15.157	0.139	3.343	82%
TF050973 - National Emergency Employment Program	0.000	0.000	16.620	8.310	0.000	8.310	20.200	0.000	16.000	20.200	0.000	15.119	52.820	51.939	0.000	0.881	98%
TF052452 - Microfinance for Poverty Reduction	0.000	0.000	4.000	2.202	12.000	12.635	38.300	21.207	32.000	48.477	33.000	17.392	119.300	101.914	7.155	17.386	85%
TF052541 - Kabul Power Supply	0.000	0.000	7.435	0.000	0.000	2.901	0.000	1.508	0.000	1.402	0.000	1.029	7.435	6.840	0.484	0.595	92%
TF053940 - Civil Service Capacity Building	0.000	0.000	0.000	0.000	0.000	0.000	8.000	2.384	5.000	4.243	0.000	4.094	13.000	10.721	0.000	2.279	82%
TF054718 - Rehabilitation of Naghlu Hydropower Plant	0.000	0.000	0.000	0.000	20.000	0.000	0.000	0.000	0.000	0.160	0.000	0.063	20.000	0.223	0.054	19.777	1%
TF054729 - Urban Water Supply and Sanitation	0.000	0.000	0.000	0.000	20.000	0.000	21.000	3.628	0.000	3.475	0.000	8.199	41.000	15.302	0.000	25.698	37%
TF054730 - Education - EQUIP	0.000	0.000	0.000	0.000	0.000	0.000	5.000	0.000	0.000	0.490	12.000	6.512	17.000	7.002	0.387	9.998	41%
TF055447 - Rural Water Supply and Sanitation	0.000	0.000	0.000	0.000	0.000	0.000	5.000	0.000	0.000	0.590	0.000	0.515	5.000	1.105	0.000	3.895	22%
TF090077 - Management Capacity Program	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	10.000	0.000	10.000	0.000	0.000	10.000	0%
TF090205 - National Solidarity Program	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	90.000	65.329	90.000	65.329	1.125	24.671	73%
<b>Subtotal Current Investment Projects [4]</b>	<b>0.000</b>	<b>0.000</b>	<b>36.055</b>	<b>13.035</b>	<b>58.000</b>	<b>27.727</b>	<b>102.000</b>	<b>31.632</b>	<b>53.000</b>	<b>82.320</b>	<b>145.000</b>	<b>120.819</b>	<b>394.055</b>	<b>275.532</b>	<b>9.345</b>	<b>118.523</b>	<b>70%</b>
<b>TOTAL COMMIT &amp; DISB. [1+2+3+4]</b>	<b>161.836</b>	<b>116.217</b>	<b>260.732</b>	<b>247.042</b>	<b>348.441</b>	<b>296.067</b>	<b>458.540</b>	<b>339.375</b>	<b>416.288</b>	<b>468.892</b>	<b>375.450</b>	<b>360.261</b>	<b>2021.287</b>	<b>1827.853</b>	<b>59.345</b>	<b>193.433</b>	<b>90%</b>

