Islamic Republic of Afghanistan *The Afghanistan Reconstruction Trust Fund (ARTF)*

Press Release

Government of Afghanistan Signs US$250 million Grant with the World Bank to Strengthen Village Level Governance and Improve Rural Infrastructure

KABUL, January 23, 2013 – *A US$250 million Grant, to finance the on-going third phase of the National Solidarity Program (NSP III) of the Government of Afghanistan, was signed today between the Ministry of Finance and the World Bank. The Afghanistan Reconstruction Trust Fund (ARTF) Grant aims at building, strengthening, and maintaining Community Development Councils (CDCs) as effective institutions for local governance and social-economic development.*

"NSP's contribution towards social cohesion has become an important part of thousands of communities," ***said H.E. Omar Zakhilwal, Minister of Finance, Islamic Republic of Afghanistan****. "NSP has empowered women; enhanced local governance; provided basic infrastructure services; and improved perception of government in the minds of most Afghans. We are grateful to the World Bank and the ARTF donors for their contribution in the government of Afghanistan's development efforts."*

The NSP is the Government of Islamic Republic of Afghanistan's single largest investment in rural Afghanistan, operating in all 34 provinces, aiming at building, strengthening, and maintaining elected CDCs as effective institutions for local governance and socio-economic development. The program is implemented by the Ministry of Rural Rehabilitation and Development (MRRD) under the leadership of an inter-ministerial Steering Committee led by H.E. Second Vice President Mohmmad Karim Khalili. Now in its third phase, NSP has made remarkable progress. Since its inception in 2003, NSP has mobilized rural communities, which have freely elected nearly 34,000 CDCs. "The communities have played an important part in this," ***H.E. Minister Zakhilwal*** *emphasized adding that: "NSP has reached an important juncture of its life and it is time we reflect carefully upon its achievements and its future."*

The program has disbursed over US$1.2 billion in block grants directly to CDC bank accounts to finance more than 65,000 community planned and implemented rural socio-infrastructure subprojects, of which over 52,000 have been completed. Most of the subprojects are related to productive and social infrastructure, including water supply and sanitation (24 percent), rural roads (26 percent), irrigation (19 percent), power (12 percent) and education (10 percent).

"Over the past decade, the NSP has touched the lives of millions of Afghans in more than 34,000 village communities in every province of the country," ***said H.E. Wais Ahmad Barmak, Minister of Rural Rehabilitation and Development, Islamic Republic of Afghanistan.*** *"Community-led and owned development has brought improvements to the lives of millions of Afghans. Many of them live in conditions of severe poverty, and yet they have consistently committed time, money and labor to achieve much-needed change and realize their own development priorities. This valuable support from the ARTF will help us reach out to more villages where CDCs have not yet been established, to reinforce investments already made and make them even more sustainable."*

While NSP results on the ground have so far been remarkable, much more remains to be done to meet basic needs of rural communities. Demand for community block grants to improve rural socio-infrastructure has increased tremendously. The Government is committed to providing block grants to reach national coverage and repeater block grant to communities which have completed their sub-projects and fully utilized their first block grants.

"The NSP has been very effective in providing essential services such as access to health, education, markets, electricity and drinking water to the rural poor," ***said Robert J. Saum, World Bank Country Director for***

Afghanistan. *"Improved livelihood- opportunities have helped reduce poverty and ensured prosperity in rural Afghanistan. The Bank together with donors will continue to support the NSP at this critical juncture of transition and beyond."*

The third Grant will finance the planned roll-out of the program to additional 5,168 new communities and provision of repeater block grants to another 7,240 eligible communities during the January - December 2013 period (Afghan Fiscal Year 1392).

It is estimated that NSP III would cost US$1.5 billion over a five year period (2010 - 2015), including the World Bank's International Development Association (IDA) US$40 million grant. To date, the total ARTF funding for NSP III, provided in three tranches, is US$750 million.

Background information on the Afghanistan Reconstruction Trust Fund (ARTF):

The World Bank administers the ARTF on behalf of donors. The ARTF is a partnership between the international community and the Afghan government to improve the effectiveness of the reconstruction effort. Since early 2002, a total of 33 donors have contributed over US$6 billion to the fund, making ARTF the largest contributor to the Afghan budget - for both operating costs and development programs. ARTF's support for national priority programs, for operating costs of government operations, and for the policy reform agenda is contributing to the achievement of the Afghanistan National Development Strategy goals. The ARTF Management Committee consists of representatives from Ministry of Finance, Asian Development Bank (ADB), Islamic Development Bank (IsDB), United Nations Development Program (UNDP) and the World Bank.

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