

## World Bank Provides Grant Support to Afghanistan's Institutional Building Efforts

To listen to interview with Stephane Guimbert, World Bank Economist and team leader for the project, please visit:

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Washington, December 13, 2005 – The World Bank today approved a US\$80 million grant to support the implementation of the Government of Afghanistan's medium-term development strategy. The Second Programmatic Support for Institution Building (PSIB II), the second of a series of similar operations, aims to deepen, broaden, and sustain the reforms underway in the areas of public administration and fiscal management.

"The program supported by the grant is at the core of the Government's objective to build an accountable and effective state: this is critical for successful poverty reduction," says Jean Mazurelle, the World Bank Country Manager for Afghanistan. "Now, this Grant will help the Government finance and implement its policies, notably to extend its programs throughout the country, develop its capacity on a sustainable basis beyond the initial steps of state building, and support broad-based growth."

The Government has made significant progress in implementing important economic reforms since the World Bank financed the first Programmatic Support for Institution Building project in July 2004. Notable among these achievements are improvements in fiduciary standards, adoption of modern civil service, budget, and procurement laws, and initiation of a merit-based recruitment process.

Economic growth has been strong, reaching 8 percent in 2004, and is projected to reach 14 percent in 2005, while inflation and the exchange rate have remained under control. Results are also visible in education (school enrollment has increased from 1 million in 1999 to almost 5 million in 2005)

and health (outpatient visits have tripled over the last year and massive vaccination campaigns have reduced polio cases).

"While recognizing the challenges facing Afghanistan and its Government, this grant builds on encouraging signs of progress toward stronger Government capacity and sound economic management," says Stephane Guimbert, World Bank Economist and team leader for the project. "Further institutional strengthening is critical to improve the delivery of services to the Afghan people and develop the accountability of the Government to its citizens."

In addition to its focus on the core institutions of public finance management and public administration, the PSIB Grant supports the implementation of reforms that lead to a more efficient allocation of fiscal resources in the areas of human development, health and education in particular, and private sector development.