

OCTOBER 2016

# AFGHANISTAN Country Snapshot

The World Bank Group



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## ECONOMIC OVERVIEW

**The withdrawal of international security forces since 2014 and continuing political uncertainties have resulted in significant deceleration of economic growth, with fiscal pressures increasing as security threats mount.** However, to a significant extent Afghanistan has successfully managed the immediate challenges resulting from the transition. It has maintained macroeconomic stability and established the conditions for a slow economic recovery. Risks to the economy remain significant, and it is vital that the Government identify new sources of growth to replace the declining donor inflows over the longer-term.

**The medium-term outlook points towards a slow recovery over the next three years.** In 2015, Afghanistan recorded an estimated economic growth rate of 1.5 percent, a marginal increase from the 1.3 percent recorded in 2014. Growth is projected to remain low at 1.9 percent in 2016. If the political situation stabilizes and planned reforms are successfully implemented, growth is expected to increase to 3.6 percent in 2018. On the other hand, any deterioration in the security environment could weaken growth prospects, with this risk being the most significant faced by the country. With the population growth rate estimated at 3 percent per year, sluggish GDP growth and the deteriorating security situation have resulted in increases in poverty, with the poverty rate increasing from 35.8 percent in 2011-12 to 39.1 percent in 2013-14. This increase also reflects the limited number of employment opportunities. The estimated unemployment rate almost tripled in the period from 2011-12 to 2013-14, reaching 22.6 percent of the labor force.

**The fiscal position has continued to improve with the implementation of key policy reforms related to revenue mobilization and expenditure controls.** Domestic revenues increased to 10.4 percent of GDP in 2015, significantly higher than the figure of 8.7 percent in 2014. Given current progress in revenue collections, we anticipate that collections will exceed the revenue target in 2016 as well. These improvements in fiscal performance arise mostly from the implementation of tax policy reforms as well as the introduction of new tax measures in late 2015 which strengthened tax administration and collection of arrears. The Gov-

ernment has also continued to manage expenditures carefully, with total expenditures increasing only marginally over the year, from 26.2 percent of GDP in 2014 to 27 percent in 2015.

## RECENT SECTOR DEVELOPMENTS

### Financial Sector

**The Afghan financial sector remains nascent and dominated by banks. The sector's resilience is challenged by the conflict environment.** More efforts are needed to reinforce financial stability, strengthen soundness and governance, and foster financial stability.

**The banking sector is faced by many challenges mainly driven by the Kabul Bank crisis that is overshadowing the sector.** It is dominated by 15 banks including 3 state-owned banks, 9 private sector banks and 3 branches of foreign banks. The sector balance sheet still shows weak intermediation, but banks' loan portfolios and deposits increased by 10 percent in 2016Q2 compared to 2015Q2. On asset quality, non-performing loans (NPLs) are reported at 17.1 percent of gross loans. However, these figures need to be treated with caution considering the possible large margin of error in financial sector performance indicators as demonstrated by the Kabul Bank crisis. This reflected on low financial intermediation as domestic credit to the private sector was just 4.0 percent of GDP in 2015. This compared with 15.4 percent for Pakistan and 22.2 percent for Tajikistan and was far below the region's average of 47 percent.

**These challenges require swift action and significant reforms to restore soundness and help the sector perform its functions.** The Afghan government is looking into either privatizing the New Kabul Bank or maintaining the status quo of state ownership while taking the action needed to restructure it. A decision should be reached as soon as possible on this issue in order to strengthen banking sector stability. Pursuing recovery of Kabul Bank assets and holding perpetrators accountable is a critical priority. This would signal a shift in governance and accountability of the banking sector.



**Da Afghanistan Bank (DAB - The Central Bank of Afghanistan) requires significant technical assistance to improve banking supervision and strengthen its prudential oversight.** The central bank also needs to scale up its capacity to exercise effective Anti-Money Laundering / Counter Financing of Terrorism (AML/CFT) supervision of all financial institutions through effective enforcement of recently enacted AML/CFT legislation and the approval and enforcement of necessary accompanying regulations. This is in addition to investing in DAB's technical capacity and building up the needed infrastructure to be able to respond to crises and perform critical functions in the event of a build-up of stress.

**Access to finance remains low.** This impairs financial intermediation and represents a major constraint to economic growth. This is more evident in Afghanistan's agriculture sector where credit is a constraint for intensive livestock and horticultural production. On the demand side, the 2014 Enterprise Survey reports only 5.7 percent of firms have a bank loan and just 2 percent of firms are using banks to finance investments. Access to financial services for the poorest 40 percent of adults stood at 7 percent in 2014 up from 1 percent in 2011. Despite the progress, this is still far below South Asia's average of 37 percent, whereas on the supply side, access to credit is overwhelmingly concentrated in urban areas with 80 percent of the bank credit reported in Kabul province.

**Microfinance has faced a major consolidation phase following a repayment crisis in 2008.** The sector counts around 483,000 clients with around 229,000 active borrowers (25 percent women) and a total portfolio of \$141 million as of end-June 2016. The sector has had positive growth in most of the key indicators compared to the 2nd quarter of 2015; 7.3 percent in the number of active borrowers, 10 percent in GLP, 5.5 percent in the number of active savers and 23.3 percent in the amount of savings. The number of sustainable microfinance institutions (MFIs) has remained the same at 5, but the operational sustainability of the rest of the MFIs has improved considerably. The Percentage of women borrowers remains stable at 40 percent. The sector is dominated by one commercial bank that focuses on micro, small and medium enterprises, representing 44 percent of the total lending and 23 percent of borrowers.

**The Government can play an enabling role to increase access to financial services, but international experience shows it should avoid being a direct provider, particularly in weak governance environments with fiscal constraints.** Microfinance Investment Support Facility for Afghanistan (MISFA) provides an interesting example of such indirect government support. Augmented by DAB's efforts to strengthen the financial sector infrastructure (public credit registry, movable collateral registry and modernization of payment system), it should continue to be pursued to facilitate financial access, ensure allocative efficiency and support credit decisions.

Technology should also be used as a catalyst to enhance access to financial services, particularly in rural areas by using mobile financial services. Afghanistan could invest early in options to develop a crop insurance program to help mitigate risk for farmers, facilitate credit and encourage productive investments.

### **The World Bank Group Supports the Development of the Afghan Financial Sector**

The World Bank Group remains committed to supporting the development of the financial system through a multi-pronged programmatic approach spanning (i) strengthening the regulatory and banking supervision capacity of Da Afghanistan Bank with emphasis on integrity and governance, (ii) building up a reliable financial infrastructure, (iii) deepening the financial sector and facilitating SME's and households access to finance and exploring possible introduction of innovative financial services (e.g. agricultural financing, disaster risk insurance for farmers, Islamic finance).

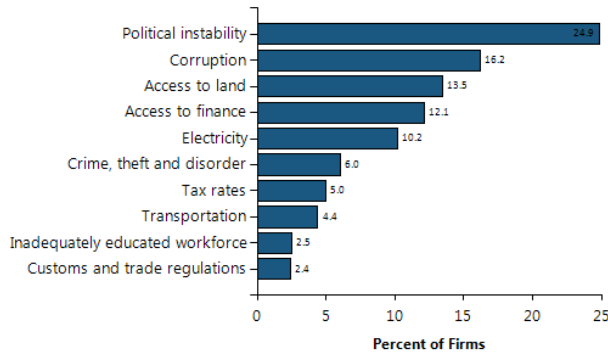
## **Business Environment**

**It is vital to restore confidence in Afghanistan's private sector.** Afghanistan ranks 177 (out of 189 economies) in the 2016 Doing Business report with many of the indicators faring worse or having no change from the past year.<sup>1</sup> The findings show Af-

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<sup>1</sup> The 2014 DB report ranking for Afghanistan is not directly comparable to the 2015 report, given data corrections and changes in methodology. The comparable ranking for 2014 is explained and reflected within the 2015 DB report.

FIGURE1: ENTERPRISE SURVEY FOR AFGHANISTAN, 2014 (in percent)

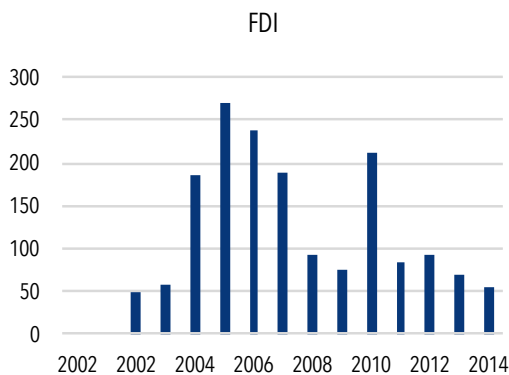


Source: 2014 Enterprise for Afghanistan

Afghanistan particularly low on protecting investors (189); trading across borders (174); registering property (184); enforcing contracts (172); and dealing with construction permits (185). The 2014 Enterprise Survey said the biggest obstacles to firms in Afghanistan were political instability, lack of access to land, corruption, financing and electricity shortages.

**Foreign Direct Investment (FDI) continues to remain low.** Inflows steadily increased between 2001 and 2005, reaching \$271 million. With the deterioration in national security, FDI inflows have decreased and been more erratic since 2006, standing at \$69 million in 2013 and \$54 million in

FIGURE2. FOREIGN DIRECT INVESTMENT INFLOWS FROM 2000-2014



2014, according to the U.N. Conference on Trade and Development (UNCTAD). Gross domestic private investment as a percentage of GDP has remained at low levels, declining from 6.6 in 2013 to 5.9 in 2014, according to the IMF.

**During the pre-transition period, aid-led growth was not able to significantly accelerate poverty reduction in Afghanistan.** In 2007-08, 36 percent of the population in Afghanistan was poor, that is more than one in every three Afghans was living on levels of expenditure insufficient to satisfy basic food and non-food needs. Four years later, in 2011-12, the poverty rate in Afghanistan remained substantially unchanged despite a massive increase in international spending, both on military and civilian assistance,

and an overall strong growth and labor market performance. Rural areas accommodate a large majority of the Afghan population and the highest concentration of poverty: four out of every five poor Afghans live in rural areas. More than half of the poor population was represented by children below the age of 15. Moreover, 75.6 percent of the poor above the age of 15 are illiterate (against 63.4 percent of the non-poor), and only 7 percent have completed primary education. The human capital disadvantage of the poor is reflected in their weak labor market outcomes, i.e. in their higher risk of unemployment, underemployment and vulnerability in employment or employment in agriculture.

## Poverty and Labor Market

**In spite of rapid growth between 2007 and 2012, poverty levels remained stubbornly high at 36 percent of the population.** In 2014, after two years of falling growth, poverty levels had increased to nearly 40 percent. In 2012, about 9 million Afghans, 600,000 more than in 2008, had consumption levels below the minimum necessary to satisfy basic food and non-food needs. Female-headed households are disproportionately affected. Rural poverty rates are about 10 percentage points higher than urban, but the urban-rural poverty gap has remained stable. Rural areas accounted for 76 percent of the population and 81 percent of the poor in 2011-2012, but urbanization has led to an increase in the number of poor people

**TABLE 1: POVERTY TRENDS BY SURVEY YEAR**

Poverty indicators	Survey year	
	2007-08	2011-12
Poverty Headcount	36.3	35.8
Poverty Gap	7.9	8.4
Squared Poverty Gap	2.5	2.9

Notes: Provinces of Helmand and Khost were excluded from the original sample in both survey years.  
Source: Authors' calculation using NRVA 2007-08 and 2011-12.

living in urban areas. Inequality has also increased. The poorest 20 percent of the population saw a 2 percent decline in real per capita consumption, the bottom 40 percent little change, and the richest 20 percent a 9 percent increase. Had the country's economic growth been distributed evenly across the population, poverty would have declined by 4.4 percentage points.

**Population displacement caused by conflict and poverty is a growing challenge.** Historically, Afghanistan has had a long history of displacement, with many Afghans fleeing the country after the Soviet invasion in 1979 and during the civil wars of the 1990s. Currently there are an estimated 3.5 million Afghans living in Pakistan and Iran as registered and unregistered refugees. There has also been a recent upsurge in the number of Afghans fleeing to Europe. According to *The Economist*,<sup>2</sup> nearly 200,000 Afghans applied for asylum in Europe in 2015, but only 69 percent of them were granted refugee status while the rest have been or are in the process of being repatriated. Internally as well, conflict is causing increasing numbers of Afghans to flee the countryside and move to urban areas, where they make up a large proportion of those who are poor. The number of internally displaced persons (IDPs) is estimated in excess of 1 million. Increasingly, with potentially large numbers of returning refugees or internally displaced who have lost their livelihoods, government and host community resources are stretched to breaking point.

**A key factor behind stagnant poverty nationwide is regional disparities, with the highest**

**poverty in the lagging Northeast, West Central, and East regions of the country.** (See Figure 4). According to the 2011-2012 National Risk and Vulnerability Assessment (NRVA), poverty rates ranged from 27.7 percent in the Southwest to 49.7 percent in the Northeast. Poverty trends either remained flat or declined in most regions. Without the Northeast, nationwide poverty incidence would have fallen by 3 percentage points. The lagging regions were not those which experienced the most conflict. The conflict has had the perverse effect of increasing economic integration and employment in the better off but more conflict-affected regions, while the more remote Northeast, dependent on agriculture and vulnerable to natural disasters, received relatively less attention from government and donors.<sup>3</sup>

**Labor market dynamics induced by aid-led growth also contributed to widening inequalities between the poorest and the richest segments of the population.** Between 2007-08 and 2011-12, labor market outcomes improved. The economy added approximately 490,000 new jobs for men in the 25 to 50 age group and unemployment and underemployment were successfully reduced, together with the share of informal employment. However, the improvement in labor market opportunities did not benefit Afghan workers equally. Employment growth was mostly led by the service sector – where 80 percent of the new jobs were in informal day labor arrangements – followed by the public sector and employment in health and education-related services – where most of the jobs were highly skilled and formal. Lacking the human capital necessary to take advantage of better quality jobs, the only change in labor market opportunities available for the poor was to substitute vulnerable employment in agriculture with vulnerable employment in the service sector.

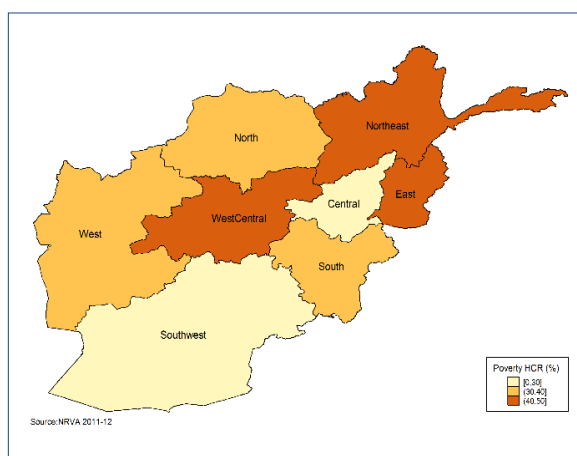
## Public Sector Governance Structures

**Afghanistan's public sector is highly centralized. Only central ministries and similar administration units receive funds from the national budget.** Services at the provincial level are deliv-

<sup>2</sup> *The Economist*, Europe's migrant crisis in numbers, March 23, 2016.

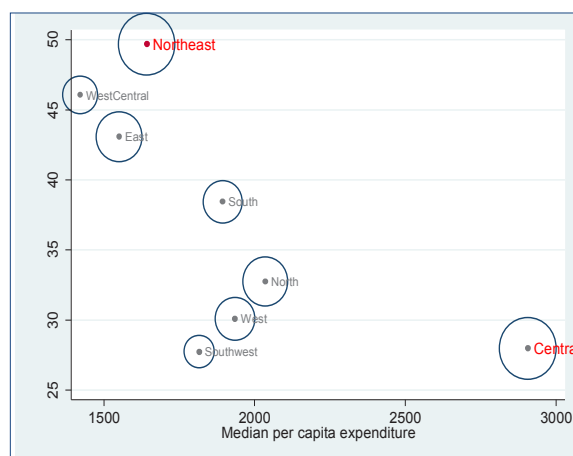
<sup>3</sup> See recent paper by Vincent Floreani, Gladys Lopez-Acevedo and Martin Rama (World Bank, 2016) on Conflict and Poverty in Afghanistan's Transition.

FIGURE 3: POVERTY HEADCOUNT, BY REGION



Notes: (a) Classification of provinces by regions is as follows: Southwest: Nimroz, (Helmand), Kandahar, Zabul, Urozgan; Central: Kabul, Kapisa, Parwan, Wardak, Logar, Panjsher; West: Badghis, Herat, Farah; North: Samangan, Balkh, Jawzjan, Sar-e-Pul, Faryab; South: Ghazni, Paktika, Paktya, (Khost); East: Nangarhar, Kunarha, Laghman, Nooristan; West-central: Ghor, Bamyan, Daykundi; Northeast: Badakhshan, Takhar, Baghlan, Kunduz.  
 (b) Provinces of Helmand in the Southwest and Khost in the South have been excluded from the analysis because of a lack of reliable consumption data.  
 (c) Figure 9: Area of symbol proportional to the size of poor population.  
 Source: Authors' calculation using NRVA 2011-12.

FIGURE 4: POVERTY HEADCOUNT AND MEDIAN PER CAPITA EX-PENDITURE, BY REGION



ered by line ministries, agencies and provincial administrations.

**The central administration level consists of about 50 government units.** These comprise ministries, departments, agencies, offices, independent directorates, and other budgetary units. These central government ministries and institutions are considered primary budgetary units, and the respective budgets of these entities are determined by the annual budget law. The Finance Ministry has prepared a provincial budget policy that could significantly enhance the role of provincial line departments and administrations in both planning and budget execution. The policy has now been approved by Cabinet and its effectiveness is expected to be tested during the next budgeting cycle.

Two other central institutions help the finance ministry manage government relations: The Independent Directorate for Local Governance (IDLG) and the Ministry of Rural Rehabilitation and Development (MRRD). The IDLG is responsible for the overall system of inter-governmental relations, including provincial, district, village and municipal affairs. Among line ministries, the MRRD plays an important role in rural development in the provinces. This includes managing the National Solidarity Program and the upcoming Citizen's Charter Program, which promote local development and gov-

ernance through the establishment and funding of community development councils.

**Afghanistan is divided into 34 provinces that vary widely in their population.** Provinces are not designated budget units and there are overlapping roles and responsibilities between different units at provincial level, including the role of provincial governors (appointed by the president), line ministries and provincial councils elected directly by citizens. Provincial councils exercise only limited oversight over the provincial governor and provincial line departments. The provincial department of the Ministry of Economy coordinates the preparation of the Provincial Development Plan, but this has little connection with the budget process.

**Provincial offices have very limited capacity and staff.** They wield influence primarily through their ability to shape the national budget and its execution through the provincial departments of line ministries. The governor has signatory power over most procurement at the provincial level and certain powers of appointment. Some governors will exercise significant de facto authority at the provincial level. Furthermore, the governor has significant authority over the police in the province, and direct authority over the district governors.

There are 398 districts in Afghanistan, with an average population of about 67,000. The constitution is vague on the legal nature of district entities. District governors report to the provincial governor, and represent the IDLG at the district level. The district governor is part of the Office of the Provincial Governor in organizational and budgetary terms.

There are currently no formal governance institutions at the village level. The constitution does call for the election of village councils, but these have not yet been constituted. There are, however, other governance structures, such as community development councils, that help administer the National Solidarity Program and other development programs, as well as other formal and informal local groups. The cabinet has endorsed a policy to consolidate district coordination through a District Coordination Committee, and at village level through existing community development councils.

**Municipalities are constitutionally recognized as local government entities, created to manage urban affairs.** As such, municipalities have their own separate budgets. Urban affairs are mostly managed in a rather top-down manner by the IDLG's General Directorate for Municipal Affairs; mayors are centrally appointed, and budgets are centrally approved. Municipalities are largely self-sustaining entities that fund the provision of urban services with local revenue collections.

## PUBLIC FINANCIAL MANAGEMENT

**Afghanistan has a well-developed infrastructure for public financial management (PFM).** PFM's foundation is a comprehensive budget that is prepared in an orderly, transparent fashion. Given the centralized nature of the budget, it practically gives the entire general government sector's financial position. The Ministry of Finance plays a pivotal role in budget preparation and expenditure control. Line ministries, departments and agencies have well-defined roles in implementing the budget, but no role in accounting or reporting. The Ministry of Finance's Treasury Department makes all payments (both for central units and in all 34 provinces) and maintains an integrated financial management system. This system is at the heart of control and reporting functions, which are highly

rated under studies on Afghanistan by Public Expenditure and Financial Accountability (PEFA), a multi-donor partnership.

**Afghanistan's Supreme Audit Office conducts financial and compliance audits.** The 2012 publication of a new audit law provides the legal framework for a modern external review. The role and responsibilities of the supreme audit organization are clearly established, and it has a wide mandate with guarantees for access. Some concern remains over its independence, and there are capacity limits that prevent it from conducting audits to a high standard without extensive technical assistance.

**Medium-term budgetary framework.** The Fiscal Policy Department of the Ministry of Finance has developed a medium-term fiscal framework tool that is regularly updated and used in preparing the annual pre-budget statement. The document provides a preliminary draft budget that assesses the government's existing budget policies, as well as new funding priorities for the next fiscal year and over the medium-term. The document also includes revenue and expenditure analysis that provide the basis for sector expenditure reviews and, within these, calculation of budget ceilings for the primary budgetary units.

**Afghanistan's scores in the PEFA 2013 are relatively strong.** Performance indicators are superior to fragile state and other low-income countries' results on all dimensions except budget credibility, and they equal middle-income country results for control, reporting, and external scrutiny. The 2013 PEFA assessment portrays a public sector in which financial resources of the general government sector are, by and large, tracked and reported within a budget which is processed with transparency and has contributed to aggregate fiscal discipline. The expenditures and financial position of the GoA are reported regularly in an understandable format and Parliament reviews the fiscal reports of the executive. Based on the 2013 PEFA, the GoA's commitments to financial transparency and accountability have engendered confidence from donors resulting in mobilization of high levels of external support for both the recurrent and development budgets. However, Afghanistan's rating by the independent Open Budget Survey which measures budget transparency, participation and oversight, dropped in 2015 to 42 (compared to 59 in 2012



and 21 in 2010). An updated PEFA assessment will be carried out in the financial year 2017.

## Energy

**Despite significant progress in developing the electricity grid, Afghanistan retains one of the lowest rates of electricity usage and access to electricity in the world.** Per capita consumption average is 154 kWh per capita per year, which is significantly lower than the South Asia average of 667 kWh per year and the average electricity usage per person world-wide of 3,100 kWh (based on 2012 data). Only about 30 percent of its population is connected to the grid, up from 6 percent in 2002. Afghanistan's power utility DABS has been able to grow its customer base steadily, and adds about 6 percent additional customers every year. In 2015, Afghanistan's peak demand was 1,500 MW, and overall consumption was about 5,000 GWh. Afghanistan benefits from cheap imported power that in 2015 met about 55 percent of Afghanistan's demand, with the remainder supplied from domestic hydropower and thermal plants. The reliability of the grid, particularly in Kabul, has improved significantly over the past few years. Nevertheless, load shedding and outages are still sufficiently common that few have given up their private generators. A large part of the population also owns small solar devices, such as solar lanterns, mainly to meet the lighting and cell phone charging needs. The National Risk and Vulnerability Assessment report (2013/14), indicates that 46 percent of Afghan households own a solar device, and 58 percent in rural areas.

**Low connectivity to the grid conceals a vast difference between rural and urban access.** While over 89 percent of the population in large urban areas like Kabul, Kandahar, Herat, and Mazar-e-Sharif have access to grid electricity, less than 11 percent of the rural population has access to grid-connected power. About 77 percent of the Afghan population lives in rural areas. Large parts of Kabul, Mazar-e-Sharif and Pul-e-Khumri have a 24-hour power supply. These cities are part of the North East Power System (NEPS), which imports up to 300 MW from Uzbekistan throughout the year, supplemented by up to 300 MW from Tajikistan during the summer. Currently total installed transmission lines carrying capacity is: 326MW from Uzbekistan,

164 MW from Iran, 433 MW from Tajikistan and 77 MW from Turkmenistan.

**Energy demand, usage and capacity are increasing from a very low base.** Growth in demand for electricity was 17 percent in the last four years and there has been a four-fold increase in the customer base. Installed energy capacity has increased significantly, from 430 MW in 2001 to 622 MW in 2015. Supply has also increased through greater use of imported energy. These imports consist of power purchase agreements with Uzbekistan (37 percent of total imports), Turkmenistan (10 percent) and Iran (23 percent), mostly from thermal generation, and Tajikistan (29 percent) from hydropower.

**Progress on increasing the energy mix has been limited in the midst of decreasing domestic production.** Domestic generation has been dominated by hydropower, which accounts for around 49 percent of the total installed capacity, followed by thermal (32 percent). The share of hydropower has fluctuated, but diesel-based generation has increased exponentially since 2003.

**Losses, and the performance of the national utility, remain a challenge.** Distribution losses have declined over the last years, attesting to better management of the power utility DABS since it was spun off the Ministry of Energy and Water (MEW). While in 2010 distribution losses were in the range of 25 to 28 percent (up from 20 percent in 2005), losses at distribution level were about 14 percent in 2015. While donors support has been important to help, overall better governance of Da Afghanistan Breshna Sherkat (DABS) has been key to improved performance. Improvements were made in the area of loss reductions and cash collections. Nevertheless both commercial and technical losses need to be further improved to meet international standards.

**Northern Afghanistan contains large oil and dry gas prospects.** One of the most important gas field projects is Sheberghan, which is supported by the U.S. Agency for International Development (USAID). The potential for cheap gas, due to a lack of alternative uses and the resulting low opportunity cost, means that a gas-fired generation plant could potentially be competitive with imported power from Uzbekistan, currently priced at 8.5

cents/kWh. However, gas refining is difficult, and financing agencies have been reluctant to proceed without further seismic work to confirm the predictability of supply, as well as a clear contractual framework. Also, the gas is high in sulfur, requiring investment in a plant to make it suitable for power generation. In 2016, the Government made good progress on the preparation of a medium-sized Independent Power Plant (IPP), which would run on gas from the Sheberghan field. This could provide for an important stepping stone for the development of Afghan gas.

**Domestic coal resources exist in the North-West Bamyan province.** The use of coal (or coal-bed methane) for power generation is a potentially attractive option for Afghanistan, but until the resources to power these options are verified with confidence, coalmine and power plant planning is premature. Unless an exploration program is started today, the large future benefits of coal-fired generation (as opposed to imports of baseload power) cannot be realized. The results of a recent World Bank analysis (2016) show that the expected value of future benefits of a government-financed exploration program outweighs its upfront costs.

**More needs to be done to strengthen capacity and accountability, to ensure clearer explanation of responsibilities and better collaboration across government agencies.** The sector's legal framework remains weak. There is a lack of sector-specific laws and regulations, leading to poor governance. This needs to be tackled if the sector is to establish pricing that allows for full cost recovery. While regulation by contract is feasible for larger-scale energy investments, these shortcomings must also be addressed if the Afghan energy sector is to attract foreign investment.

**Financing future energy projects will require investment.** Afghanistan's energy infrastructure requires significant capital investment. To date, this has largely been met through grants financing, with DABS only needing to recover the O&M costs for most investments. Going forward, DABS will need to increasingly be able to recover the investment costs of projects, as grant financing is getting increasingly scarce.

**Current investment plans are limited in the sector.** The main energy investments in 2016 are: (i) the Turkmen 500kV line and the cross-Salang

500kV line; (ii) the NEPS-SEPS interconnector; and (iii) the Ghazni 220kV line, all financed by the Asian Development Bank (ADB). The World Bank recently approved two projects: (i) Rehabilitation of Naghlu Dam, which will restore generation capacity to 100MW and may increase the amount of energy generated from the plant; and (ii) a technical assistance project with DABS to increase capacity building. DABS, with USAID financing, plans to install a third turbine at the Kajaki power plant in Helmand Province, augmenting supply to the South East Power System (SEPS). Additional investment in generation capacity, particularly to address peak winter demand, is a high priority.

**Regional energy projects can also provide opportunities.** The Central Asia-South Asia Electricity Transmission and Trade Project (CASA-1000, a regional IDA-financed project), will use surplus hydro generation in Central Asia to supply both Afghanistan and Pakistan, without the need for new investments in power generation. Afghanistan would also gain a new source of revenue from transit fees. CASA 1000 would enable a transfer of up to 1,300 MW of electricity via a DC transmission line between the two regions. Afghanistan would gain access to 300 MW of power under the project. The first electricity is due to flow in 2019.

## Agriculture Development

**Agriculture still remains the main source of real GDP growth, employment and subsistence for the Afghan population.** Only 12 percent of Afghanistan's 65 million hectares of land area is arable, and the actual cultivated area is substantially less, due to a lack of irrigation. Between 2003/04 and 2011/12, real agricultural growth ranged from -22 percent to 45 percent, reflecting the continuing importance of rain-fed agriculture. The sector is also dominated by smallholder production. Average farm size ranges from 0.4 to 1.0 hectare for small-scale producers and one to two hectares for large-scale producers. Similarly, the average size for livestock farming is 1.3 cows and 10 sheep and goats.

**Three decades of conflict have destroyed much of the agricultural infrastructure, and eroded institutional capacity to provide technical services, such as regulations or the teaching of new techniques.** Before the conflicts, Afghanistan was

a top international supplier of horticultural products, supplying about 20 percent of the raisins in the world market in the 1970s. That share has fallen to two percent. It also was self-sufficient in meat and milk and was a significant exporter of wool, carpets, and leather goods. Afghanistan was also self-sufficient in cereals and, at times, was a small exporter. However, rapid population growth coupled with the destruction of much of the country's irrigation systems, storage facilities and rural roads network during the years of conflict, have turned Afghanistan into a net importer of wheat.

**Even today, most agriculture is subsistence.**

Food crops account for over two-thirds of the cultivated area and are typically grown for household consumption, including perennial horticultural crops and vegetables. The country lost its horticulture market to China, India, and Turkey. These nations made significant investments in production, processing and marketing, resulting in state-of-the-art perennial fruits industries. Afghanistan has now embarked on developing promising horticulture value-chains, such as almonds, fresh grapes, raisins and pistachios. Although, the major farming system of the poor is cereal production for household food security, most families are still only food sufficient for a few months each year. To meet steadily growing domestic demand, Afghanistan imports between 30 and 60 percent of cereals annually, particularly from Pakistan. It also depends on imports of live and frozen chicken, eggs, and dairy products.

**The most important crop is wheat.** Afghans consume wheat with every meal and boast the world's highest annual wheat consumption, at 160 kilograms per person. Wheat flour contributes 57 percent to the total caloric content of the average basket of food items of the poor. Despite the large area devoted to wheat cultivation, Afghanistan remains a highly food-insecure country. Productivity is low, due to a lack of improved seeds and the poor transfer of modern farming skills. Local milling capacity is very weak, the quality of local wheat flour is inferior, and milling costs are significantly higher than in neighboring countries. Boosting agricultural productivity will generate income, as well as widen the range of nutritious dietary choices for Afghans.

The horticulture subsector is key for employment and growth. The horticulture subsector contrib-

utes \$1.4 billion to national GDP, equivalent to 34 percent of agricultural GDP and 6.7 percent of national GDP. It extends to about 360,000 ha, covering almost 14 percent of the total irrigated land area and involving more than 2 million people. The country's diverse geographical and climatic conditions allow a wide range of crops to be produced at different times of the year. The most prominent crops are grapes, almonds, apple, pistachio, apricots, pomegranates and melon, most of which are exported. Some of the horticultural products, such as pistachios are believed to be native to the country,

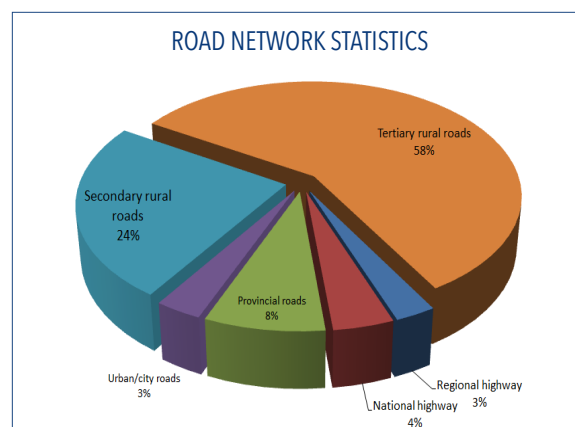
**The Livestock subsector.** Livestock currently contributes about 15 percent of agricultural GDP, or \$680 million annually, and creates about 1.1 million FTE jobs, 15 percent of which are off the farm. Afghanistan exports some livestock products—mostly skins, wool, and cashmere—but it imports much larger amounts (by value) of live animals, meats, eggs, and dairy products. The livestock subsector has good catch-up potential. It could contribute much to growth and employment, substitute for imports, and exploit more export opportunities.

## Transport

**Afghanistan heavily relies on road transport to move people and freight.**

The country has a road network of about 123,000 km, of which seven percent is regional and national highways (see figure below). The country has a scant 75 km of railway line and just three international airports – Kabul, Mazar-e-Sharif and Kandahar.

**Rehabilitation and extension of road networks**



is a high priority. Over 40,000 km of rural roads and more than 5,000 km of highways have been rehabilitated or improved over the past 13 years. But much remains to be done to improve regional integration, national connectivity and access to local markets. Around 85 percent of roads are in poor shape and the majority are not all-season roads. Action to improve operation and maintenance is urgently needed. Afghanistan is establishing an independent road authority to manage and maintain the network, supported by a road fund mechanism to help with finance, but the progress has been very slow.

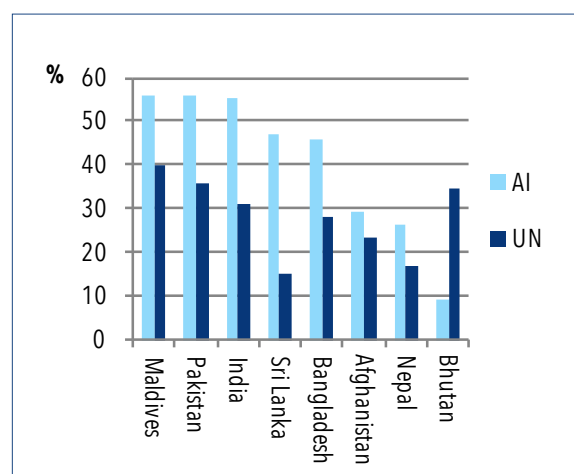
**Access to urban transport services is another challenge.** Rapid urbanization has complicated the provision of affordable, safe and clean transport in towns and cities. Rehabilitation of urban roads and the restructuring and improvement of urban transportation remains a priority. Traffic management and safety are challenges that particularly impact the urban poor.

**The railway system is underdeveloped.** Afghanistan has only border railway links connecting Naibabad to Uzbekistan in the north and Herat to Iran in the west, hampering the development of mining, shipment of goods and agriculture. The government has established a railway authority, but the country still needs a railway strategy and significant improvements in operations and maintenance capacity.

**Airports have been rehabilitated and expanded in the past 10 years, but civil air service lags behind international standards and practices.** The nation urgently needs a regulatory framework that encourages free entry of civil aviation transporters and maintains international safety standards.

**Public sector technical and organizational capacity is limited.** The past 10 years have seen a significant improvement in the basic technical skills of private design and consulting firms. But public sector capacity, in terms of budgeting, procurement and contract management, and transport-related asset management, is lagging. Moreover, the sector's lack of regulatory and enforcement frameworks, overlapping ministerial responsibilities, and a lack of coordination among ministries also have hampered productivity.

FIGURE 6. GROWTH RATE OF URBAN SHARE OF POPULATION BY COUNTRY, 2000-10



## Urban Development

**Afghanistan's urbanization rate is increasing faster than that of most South Asia region countries.** 27 percent of its population was living in urban areas in 2014. This is lower than the average in South Asia of 32.6 percent but in recent years the rate of change has been the highest in the region. Between 2000 and 2014, the urbanization rate has been 4.9 percent per annum, increasing from 1.2 percent per annum in the 1960s. 24 percent of Afghanistan's population of about 32 million people was estimated to live in urban areas in 2012 – these estimates are likely to be an under-estimate. An incomplete 1979 census and the definition of urban enshrined in the Municipal Law of 2000 (currently under revision) underpin the data so far used to estimate the figure 6. The country's official definition of "urban" forms the basis for the United Nation's World Urbanization Prospects, and the figure below highlights the discrepancy between the urban share of the population as estimated using the government's official statistics in South Asian countries and using the Agglomeration Index (AI). The share of the population living in areas officially classified "rural", meet the criteria which the AI uses to characterize them as "urban" – a population density of at least 150 people per square kilometer, and location within 60 minutes of travel time of an urban settlement of at least 50,000 people. This discrepancy suggests that large portions of the population are living in settlements that exhibit ur-



**TABLE 2: SPATIAL URBAN EXPANSION IN AFGHANISTAN'S CITIES (K→M2) (2001-2012)**

City	2001	2012	Change (%)
Mazar-e-Sharif	207.3	855.0	312
Kunduz	24.8	346.3	1297
Pul-i-Khumri	73.0	279.2	283
Kabul	429.9	2920.7	579
Jalalabad	132.1	446.5	238
Subtotal	867.0	4847.7	459

ban-like characteristics but are officially governed as rural areas. This compromises potential agglomeration benefits in the form of higher productivity and resulting wage premiums, which can be in the order of two to five percent for every doubling in population size. So, for example, a city of six million people could be 20-30 percent more productive than a city of 100,000 people. The difference between the two estimates of the share of urban population is also indicative of the extent of “unofficial” urban settlements.

Urban sprawl is taking place in Afghanistan twice as fast as in South Asia as a whole. The urban land requirement in 2050 could be up to 12 times higher than in 2010 in a worst case scenario that assumes urban population densities continue to decline at the same rate as over the 1999-2010 period. Afghanistan experienced a 3.8-fold expansion in night light<sup>4</sup> areas between 2001 and 2012: Kunduz (1,300 percent), Herat (690 percent) and Kabul (580 percent) (see Table 2).<sup>5 6</sup> Although Kabul is the third highest in terms of percentage, it has consumed the

largest area in absolute terms (2,491 km<sup>2</sup>) since 2001. Even accounting for potential measurement errors from night-time-light data, this represents a significant amount of land. The “locked in” spatial structure that has emerged is nearly impossible to reverse – the expansion is outside current “municipal” boundaries and has “locked-out” a large part of the municipal revenue base.

Most of the urban area in Afghanistan is located along the ring-shaped road circulating the country and other arterial roads connected to adjacent countries for trade. Kabul, Kandahar, Herat, Mazar-e-Sharif, and Pul-i-Khumri are on this main circular transport route. The most noticeable branch of the ring road is the route from Kabul to Pakistan, where Jalalabad is located. Another branch is the route from Pul-i-Khumri to Tajikistan, along which Kunduz lies. Herat also has a string of nearby urbanized areas along the route to Iran. This pattern of urbanization highlights the role of trade in the development of major cities connected to smaller trading towns.

**While Afghanistan’s population is most concentrated in the Kabul region the overall distribution of poor people is dispersed across the country.** The growth of poverty in Kabul was higher at 5.9 percent per annum compared to the growth of poverty in other provinces at 4.6 percent average per annum. Poverty incidence (headcount) in the Kabul region home to 16 percent of the country’s population, is the lowest in Afghanistan and stands at 24 percent.

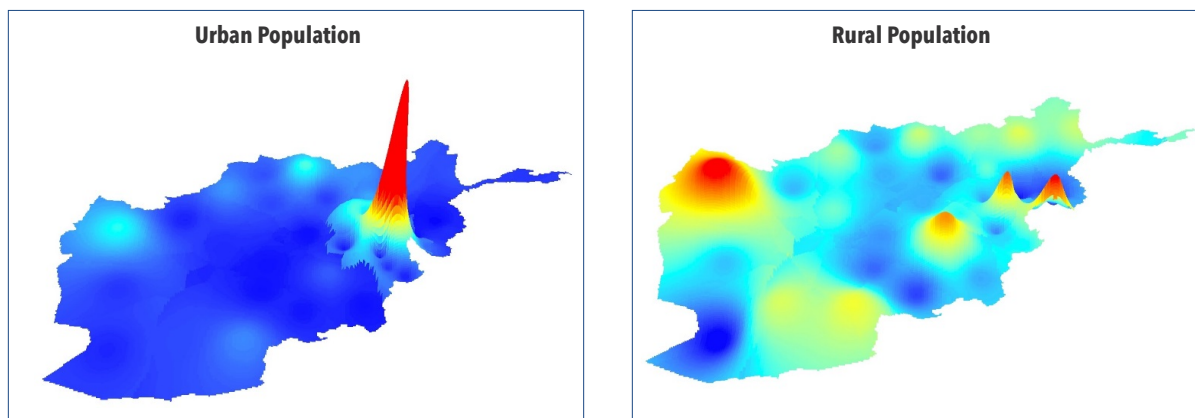
**The proportion of Afghanistan’s population living in un-serviced or informal settlements is the highest amongst countries of the South Asia**

4 Raw night light data is collected every night typically between 8:30 and 9:00 pm by satellites orbiting the earth. Research has led to an expanding use of lights data to proxy for levels of economic activity. Given the susceptibility to power outages in South Asia, the estimates of the pace of urban expansion presented is if anything, biased downwards.

5 The size is calculated by the assumed metropolitan boundary of each city, and the boundaries are not the same as the administrative district boundary of each city used for census data. Therefore this kind of figure is intended to present a rather rough comparison between demographic increase and spatial expansion, rather than a very precise measurement.

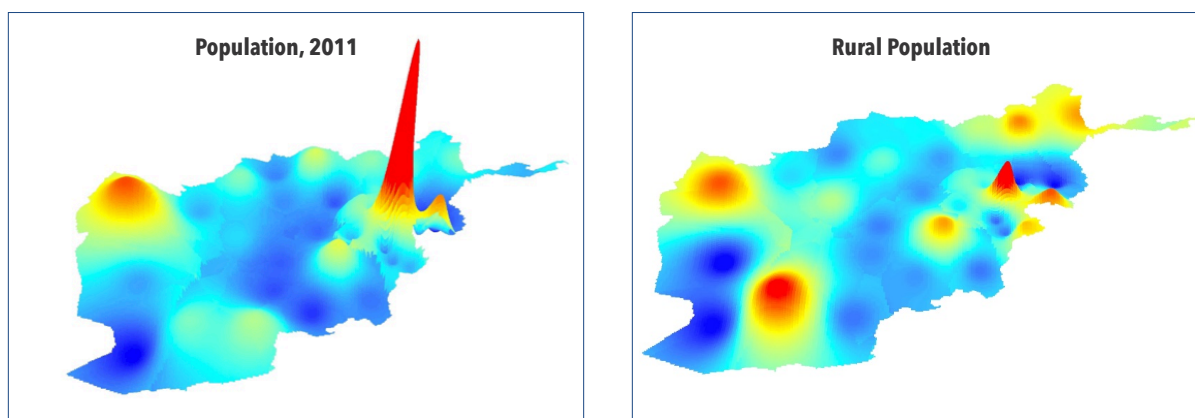
6 Zhou, N. (2014). *Using Night Time Light (NTL) to Analyze Urban Growth in the Corridor*. Background Paper for the Afghanistan Urbanization Review.

FIGURE 7: SPATIAL DISTRIBUTION OF URBAN AND RURAL POPULATION IN AFGHANISTAN, 2011



(Red/peaks indicate highest concentration of population)  
Source: Spatial analysis - IDW interpolation using NRVA 2011-12

FIGURE 8: SPATIAL DISTRIBUTION OF POPULATION AND POVERTY IN AFGHANISTAN, 2011

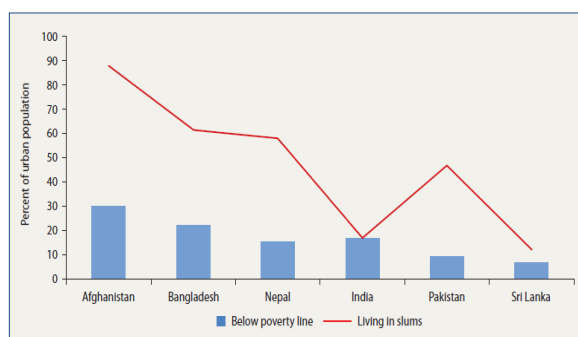


(Red/peaks indicate highest concentration of population)  
Source: Spatial analysis - IDW interpolation using NRVA 2011-12

**Region.** In many ways the growth of informal settlements has been beneficial for the government as an agent of poverty reduction, a rational economic choice preventing a further slide into poverty. These settlements represent an enormous private investment in housing (estimated to be \$2.5 billion in 2005 in Kabul alone), financed through informal credit from relatives and friends, with savings on construction costs due to “ashar” or the practice of reciprocal sharing of labor. Eighty-eight percent of Afghanistan’s urban population lived in unserved or underserved housing in 2005, and 98 percent in 2013, according to the 2013-2014 National Risk and Vulnerability Assessment (NRVA). The proportion of Afghanistan’s overall population living

in such settlements (estimated to be 90 percent in 2015) is estimated to be astronomically higher than the poverty rate (estimated to be 30 percent in 2015), the biggest such gap in the SAR (see Table 2). One third of all housing units in urban areas already accommodate two or more families. In 2015 the overall housing deficit in Afghanistan was estimated to be 1.5 million units, with an additional incremental annual demand of 200,000 to 230,000 units. By 2030, the cumulative housing deficit could be up to 4.95 million units, with 70 percent of this deficit being urban based. Housing supplied by the formal sector is limited and unaffordable for most Afghans, and multiple constraints impede the delivery of adequate housing. Only 2 percent of Af-

FIGURE 9. SLUM SHARE COMPARED TO POVERTY RATES (2005-2011)



ghans earn more than \$800 per month – housing for the majority therefore has been feasible only through informal housing mechanisms. Informality represents a wide variety of shelter locations, conditions, and tenure statuses. Direct provision of formal housing, usually ownership driven, is unaffordable. The rental market for Afghans is even more constrained for households from the lower income tiers.

**Repatriation of all or even a substantial proportion of the estimated 1.6 million documented and 1.5 million undocumented Afghans in Pakistan, a plausible prospect, would aggravate the already poor living conditions in unplanned development in Afghan cities.** Over 5,000 displaced Afghans are already returning from Pakistan every day. People displaced by on-going conflict will increasingly end up in urban areas: “If the current trends persist and the security situation continues to remain the same or worsen, the new arrivals will likely compound the already overstretched housing and essential services capacity in many of the main urban centers.” (UN Population Movement Bulletin September 2016). Given the housing situation in Afghan cities, it is the informal settlements where significant pressure will come and overcrowding increase, but also where a significant opportunity for a plausible solution may lie. The current estimate of 1.4 million properties in unplanned areas could grow to 2.0 million by 2030. Access to rental accommodation is a key tenure solution for the urban poor generally, but it is particularly relevant for the urban displaced. Stimulating affordable rental supply is likely to be the most affordable and fastest option which is likely to have multiple beneficial impacts over the longer term, provided the government creates the appropriate policies.

**Afghanistan developed a remarkably progressive policy for regularizing informal settlements three years ago.**<sup>7</sup> This policy legitimizes a community-based and simplified land-recording system for defined “schemes” (areas). However, the policy requires that each resident’s claim of right of occupation or ownership be recorded. This slows the process and prevents the government from legitimizing or regularizing the settlements as quickly as is needed. Since 2009, it appears only 85,000 properties have been formalized, i.e. about 14,166 properties per year. To expedite regularization, there is an urgent need for Afghanistan to learn from international experience to expedite regularization. Focusing on the establishment of a modern and fully integrated land-registration system (that recognizes collective or community rights) appears suitable for Afghanistan in this regard. The system can be adapted and refined over time, but would have the advantage of adding almost two million properties to the registry within three to five years, at almost no cost to the public sector and with significant potential for revenue benefits for local governments, as well as for increasing housing supply. In the absence of such a system that recognizes collective or community rights as per the “Upgrading Informal Settlements Policy, 2013” developed by the Ministry of Urban Development Affairs, large swaths of unplanned development will not come within the public sector domain. Until the “formalization”, development through market driven transactions over the medium to longer term will not happen, the control of the State over land will continue to be at risk, and investments in housing and real estate which typically contribute to rapidly increasing rental housing supply, will be elusive. Securing tenure may be the fastest and most cost-effective way (in fact at no cost to the public sector) of increasing housing supply in Afghanistan’s cities. Security of tenure leads to investments in home improvements, expansion of home-based businesses, and other activities. This may also be the only way for unplanned development to be absorbed into the formal urban economy, as the settlements are here to stay. Studies in Brazil and India found that unplanned development was not a temporary demographic transition process in those countries—many of the people living in those developments

7 Policy on Upgrading of Informal Settlements in Afghanistan, Ministry of Urban Development Affairs, 2013

were not recent immigrants from rural areas, but second-generation residents. The difficulty of access and the lower standards of infrastructure in unplanned settlements guarantee low rents in the future, and these settlements have the potential to be ideal for recent migrants (and refugees) who have few resources and whose main priority is to find employment (most likely in cities). Linking unplanned development to sources of microfinance should be pursued in Afghanistan, as microfinance institutions have already performed well. The portfolio of the First Microfinance Bank tripled in six years. One possible path to follow in the short term is expanding microfinance for incremental housing improvements (the estimated annual microfinancing need for home improvement and new construction in Kabul alone is \$276 million). But insecure property rights preclude microfinance supply meeting the demand because lending institutions need collateral against which to advance loans.

**Like other South Asian countries, Afghanistan's municipalities face empowerment, accountability, and resource deficits.** Although Afghanistan's constitution defines the general legal context for the relationship between the central and provincial levels, and between the central and local governments, the fiscal institutional structure of the system of intergovernmental relations is still evolving. The Constitution requires the choice of mayors and municipal councils through "free, general, secret, and direct elections". These have not taken place so far. Aside from the Constitution, the Municipal Law of 2000, which has not as yet been superseded or repealed, confers legitimacy for municipalities and gives municipal administrations and mayors a mandate to manage municipal affairs. Although Afghanistan's Constitution provides a framework for a unitary and highly centralized public sector, while recognizing the importance of subnational governance, the legal framework for municipal governance is derived from a combination of municipal-specific laws and national public-sector laws. The Presidential Decree 73 (2007) granted oversight authority of municipalities to the Independent Directorate of Local Governance (IDLG), which as an independent directorate, reports directly to the President. IDLG appoints all provincial and district municipality mayors, except for Kabul. Municipalities are thus subject to full oversight from the central government over municipal affairs despite the fact that they are fiscally autonomous, and receive

no transfers from the central budget. All the various regulations, procedures, and de-facto restrictions constrain the ability of municipalities to plan, budget, collect and spend their own revenues, which limits their power. The unclear and unfunded mandates for municipalities and their weak political status have created an accountability deficit at the municipal level, where services delivery is divided between national, provincial, and local providers. Additionally, legal constraints to raising resources, coupled with the lack of a system of intergovernmental transfers, exacerbates resource deficits at the municipal level.

## Education

**The public education system in Afghanistan suffered decades of upheaval in the 1980s (Soviet occupation) and 1990s (civil war and the emergence of the Taliban).** In 2001, no girls attended formal schools, and boys' enrollment was about 1 million. However, education has become one of Afghanistan's success stories since early 2002. The number of girls enrolled in higher education increased from zero in 2001 to more than 29,000 in public universities (21% of the total enrolment) and more than 22,000 in private universities (21% of the total enrolment) by 2014. By 2015, there were more than 9.2 million students, of which 39% were girls. The Gender Parity Index in primary education increased from 0.50 to 0.68 over the same period, and the number of teachers grew from 20,000 to more than 187,000. In 2015 there were nearly 300,000 students in public and private institutions of higher education from a low baseline of less than 10,000 students at the end of 2001.

**The education sector, while growing steadily, faces a number of supply and demand challenges.** Only about half of the total registered schools have proper buildings, while the rest operate in tents, houses and under trees. Only 55 percent of the teachers meet the minimum requirements while the rest get in-service training to upgrade their skills. National student learning assessments are yet to be mainstreamed and the quality of education and administration remains relatively weak.

**An estimated 3.5 million children of primary school age do not attend classes.** Furthermore, girls' drop-out rates are high in secondary grades



**TABLE 3: SPATIAL URBAN EXPANSION IN AFGHANISTAN'S CITIES (K–M2) (2001-2012)**

Key Indicators	2002	2014
Gender Parity Index (MDG3) at the primary level	0.50	0.68
Number of students enrolled in primary education	1,168,629	6,037,663
Number of students enrolled in secondary education	467,452	2,546,043
Number of students enrolled in tertiary education	5,108	162,042
Number of students enrolled in TVET	2,896	80,830
Number of children enrolled in ECD	797	36,223
GER for primary education	49%	79%
GER for secondary education	n/a	43%
GER for tertiary education	<1	5%
% of government spending on education	No Data	17%
Public expenditure on education as a share of GDP	No Data	4.3

with gender disparity considerably high in many parts of the country. Only 21 percent of girls complete primary education. The causes of non-enrollment or early drop-out by girls include a lack of female teachers, long distance to schools, early marriage, safety concerns and a lack of sanitation facilities and surrounding walls once there. There are stark differences in enrollment between rural and urban areas, with girls from rural poor families being most affected. Secondary school attendance is 32% (girls 21%, boys 43%), but it is only half this rate in rural areas.

**Nevertheless, there is a steady increase in the number of girls completing secondary education, with a growing demand for higher education.** In higher education, the quality and relevance of the teaching still requires significant reform and more resources. In addition, the adult literacy rate is one of the lowest in the world. The higher education gross enrollment ratio is about five percent, which is one of the lowest participation rates in the world. As a new generation of primary and secondary school students come of age, enrollment and the demand for school places is increasing sharply. As the number of school and university graduates increases, it puts pressure on the absorption capacity of the labour market. Education faces significant challenges, which are compounded by insecurity, diminishing resources, low government implemen-

tation capacity, and weak links between the central and sub-national level. Meeting further education goals requires sustained commitment from the government and development partners. The government, having focused for a decade on expanding access, has turned its attention to strengthening systems and ensuring education quality. A number of reforms and assessments have been initiated in the past three years. For instance, the Global Partnership for Education (GPE) was launched in 2012 to expand education to insecure areas and get children back to schools. Application for the second round of the GPE is currently being worked out. A first learning assessment of students in grade 6 was completed in 2014 and an assessment of grade 3 is under way to inform policy decisions and show how much learning actually happens in classrooms. The government is in the process of finalizing the Third National Education Strategic Plan (NESP III) and the Second National Higher Education Strategic Plan (NHESP II). Important analytical work is also underway such as an education expenditure review and a study of teacher practices.

## Health

**The Afghan health system has made considerable progress during the past decade.** This has been thanks to strong government leadership, sound public health policies, innovative service de-

livery, careful program monitoring and evaluation, and development assistance. Data from household surveys (between 2003 and 2015) show significant declines in maternal and child mortality. The under-5 mortality rate and infant mortality rate dropped from 257 and 165 per 1,000 live births to 55 and 45 respectively. The maternal mortality ratio is 327 per 100,000 live births, compared with 1,600 in 2002. The number of functioning health facilities increased from 496 in 2002 to more than 2,000 in 2012, while the proportion of facilities with female staff increased.

**Since the establishment of a new administration in 2002, the government has placed the utmost importance on addressing high maternal and child mortality, especially in rural areas.**

The Ministry of Public Health defined a Basic Package of Health Services and an Essential Package of Hospital Services, and established a system for large-scale contracting with non-governmental organizations (NGOs) for delivery of these services. The Basic Package of Health Services has recently been expanded to include mental health, disability, and nutrition services. The ministry also prioritized the monitoring and evaluation of health sector performance. Through the deployment of predominantly local consultants, it addressed human resource capacity constraints in terms of managing NGO contracts, tracking health sector progress through rigorous impact level monitoring, and effectively performing its stewardship.

**Afghan health indicators still remain below average for low income countries, indicating the need to further lower barriers for women accessing services.** Afghanistan has one of the highest levels of child malnutrition in the world, with about 40.9 percent of children under five suffering from chronic malnutrition while both women and children suffer from high levels of vitamin and mineral deficiencies.

## Social Protection

**The Social Protection sector in Afghanistan is still fragmented.** Afghanistan does not have an overall strategy or framework for social protection, and the transition from primarily humanitarian relief-based interventions to social protection systems is still in its infancy. The Afghan social protection system includes a public sector pension

scheme, a non-contributory pension program for Martyrs and Disabled, and a number of small social assistance schemes that transfer cash and in-kind benefits to various groups or provide social care services. The government also administers a number of labor market interventions, including skills development programs, and has recently launched a short term labor intensive public works program to respond to unemployment in rural areas. Still, most interventions addressing poverty and vulnerability are financed and implemented off-budget, by humanitarian partners who struggle with decreasing resources and coordination challenges.

**The sector faces a number of challenges related to program coordination, effectiveness and financing.**

Human resources constraints and organizational complexity hampers the Ministry of Labor, Social Affairs, Martyrs and Disabled in performing its coordination function as the lead agency for social protection. The Government channels most of its social assistance resources to the Martyrs and Disabled program (1.1 percent of GDP), with rather negligible resources allocated to safety net schemes targeted to the poor and vulnerable. The country's safety net has low coverage and weak targeting, with about nine million people living in poverty and not covered by social protection. Those safety nets that do provide sizeable coverage of the poor consist mainly of cash-for-work or food-for-work programs concentrated in regions/ provinces with high exposure to natural hazards, and are mainly financed and implemented by donors and NGOs.

## WORLD BANK GROUP PROGRAM IN AFGHANISTAN

**The Systematic Country Diagnostic (SCD) for Afghanistan was completed in February 2016.**

It identifies three critical constraints to poverty reduction: fragility and conflict; demography and geography; and declining aid. It also identifies three priorities for poverty reduction: Strong economic growth and job creation, improved prioritized service delivery, and support toward fiscal stability.

The World Bank Group is currently preparing its Country Partnership Framework (CPF) in line with the findings of the SCD and priorities laid out by government in the Afghanistan National Peace and Development Framework. The CPF is expected to

be finalized by November, 2016.

**The World Bank with support from donors and other development partners oversees a large portfolio in Afghanistan.** It supports key areas including human development, governance and state building, rural and urban development, infrastructure as well as domestic and regional connectivity. In addition to IDA financing, the Bank also administers the Afghanistan Reconstruction Trust Fund (ARTF), the World Bank Group's largest single-country multi-donor trust fund. The ARTF provides grant support to Afghanistan based on a 3-year rolling financing strategy. Together, ARTF and the International Development Association (IDA) provide close to \$1 billion per year in grants (\$150 million from IDA and about \$800-\$900 million from the ARTF).

**The WBG Strategic Operational Model for Afghanistan balances the presence of resident international staff and visiting missions, a model that mirrors World Bank Group global operations.** The World Bank will ensure high level client engagement and active engagement with development partners through local staff taking on a stronger role as well as proximity support to clients through the new guest house in Mazar-e Sharif. An office in Dubai allows for wide access to the institution's global knowledge and talent pool. Client ministries are equipped with IT facilities to ensure real-time connectivity, and all Kabul staff has home based connectivity.

**Portfolio management is quite strong.** The Bank's portfolio (including ARTF projects) comprises 30 ongoing operations across a wide range of sectors. The Bank together with the government continues to take steps to improve portfolio performance by restructuring projects, adjusting procurement plans based on risk analysis and an appraisal of government fiduciary responsibilities, and improving project readiness, to name just a few initiatives. Supervision is also being enhanced through use of partner organizations in many projects, third party monitoring, and innovative information technology.

**A Strong and enhanced program of analytical and knowledge services is at the forefront of the Bank's engagement.** Much of this is financed by the ARTF's new Research and Analysis Program

established in 2015 and is intended to finance analytical work linked to ARTF programs and the government's policy reform agenda. Several of the proposed studies continue to explore themes around the economics of transition, a strand of work started in 2011,<sup>8</sup> and address cross-cutting issues. For example, the study Navigating Risks and Uncertainty examines Afghanistan's growth model, identifying broad drivers of growth consistent with current challenges, while revisiting the role of the state in supporting growth. The Bank is also conducting studies on migration and displacement, service delivery, human capital development and labor mobility as well as on natural resources and regional integration, options for improving private sector investment and measures to mitigate risks faced by firms and households, including food price shocks.

**The Bank has a strong focus on gender issues throughout its portfolio.** The Bank's gender strategy in Afghanistan involves building a knowledge base and improving the collection of gender-disaggregated data, empowering women economically in key markets, enhancing their role as producers in the rural economy, and increasing opportunities for employment and entrepreneurial activities. The Bank also focuses on strengthening women's involvement in the more socially-acceptable sectors, like health, education, and the civil service.

**The Bank has a social development advisor and a national gender specialist in Kabul who work with task teams on social inclusion and gender mainstreaming.** Gender disparities remain pronounced in Afghanistan and gender issues continue to be integrated across the Bank's portfolio. In 2013/14, the Bank updated its Country Gender Assessment and published a report in English and Dari titled "Women's Role in Afghanistan's Future – Taking Stock of Achievements and Continued Challenges."

**A Country Gender Action Brief has been developed which helps identify key gender gaps and instruments to address them.** A platform on gender and social inclusion is being developed to help the government promote gender equality and

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8 Afghanistan in Transition: Looking Beyond 2014, the World Bank, 2013.

contribute to achieving the objectives of the government's National Priority Program on Women's Economic Empowerment.

## INTERNATIONAL FINANCE CORPORATION

**IFC's key engagement has been through advisory support focused on improving the investment climate, building capacity, while supporting selective investments in sectors with high development impact and job creation.** IFC's current strategy is in line with the ongoing World Bank Group's Interim Strategy Note for Afghanistan (ISN-FY12-14). The Team is working closely with the World Bank on the preparation of the Country Partnership Framework with expected delivery in September 2016.

**IFC's investments have had a transformational impact in terms of access to finance and outreach, particularly in the microfinance and telecommunication sectors.** The investment pipeline for FY17 looks promising and includes investments in the power sector and agribusiness. IFC will continue to seek new investment opportunities, public-private partnerships and engage with local players to support the development of Afghanistan's private sector, particularly in infrastructure, finance and microfinance, manufacturing, agribusiness, and services.

- Finance and markets - IFC helped establish regulatory frameworks for leasing and will now in the second phase of the project focus on building the strengths of commercial banks and other financial institutions to offer asset-based lending products and to achieve a greater utilization of the registries, with a view to further expand outreach of financial services to more small and medium enterprise (SMEs) in country.
- Energy space - IFC has launched the pre-implementation phase of the Lighting Afghanistan Program which aims to expand the off grid market and facilitate access for 180,000 households to affordable and solar lighting solutions.
- Enterprise Development - The Business Edge initiative has been facilitating business skills training to individuals and SMEs. To date,

the Business Edge program has successfully trained almost 10,000 individuals, of whom 43 percent are women and reached out to 842 smaller enterprises. IFC has also been providing support to SMEs in the Agribusiness sector by helping farmers improve productivity and supporting the expansion of market opportunities both nationally and internationally.

- Investment Climate - IFC has two primary interventions aimed at reforming the business regulatory environment. The first is an ongoing engagement with the Kabul Municipality reforming the construction permit process. The second is the newly funded Afghanistan Investment Climate Reform Program (USAID), implemented by IFC teams as part of the WBG Trade & Competitiveness Global Practice. The program has three components: Licensing Reform Phase 2, Sub National Doing Business Survey and a new Doing Business Reform project.

**A strong Advisory services program has been supporting the investment program in the areas of access to finance, small and medium enterprise (SME) capacity development, horticulture/agribusiness, investment climate, and public-private partnerships.** At present, there are 6 active mandates across the following global practices: Trade & Competitiveness, FIG, CCAS, MAS and Finance & Markets Global Practices.

## MULTILATERAL INVESTMENT GUARANTEE AGENCY

**MIGA currently has \$117.5 million of gross exposure for three projects in Afghanistan, relating to three projects.** The largest project, supporting investment into MTN, is a joint effort with the IFC in the country's critical telecoms sector. The other two projects are MIGA-only, supporting dairy and cashmere production.

In 2013 MIGA launched its "Conflict Affected and Fragile Economies Facility" that uses donor partner contributions and guarantees as well as MIGA guarantees to provide an initial loss layer to insure investment projects in difficult contexts. This facility is another means by which the Agency could support further investments in Afghanistan.



## AFGHANISTAN: ACCESS TO FINANCE PROJECT

### KEY DATES:

Approved: November 26, 2013  
 Effective: April 17, 2014  
 Closing: December 31, 2018

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	50	1.9	44
Borrower	MISFA and Ministry of Finance		
Co-financing	None		
Total Bank Financing	50		
IDA	50		
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

Deepening the Afghan financial system and fostering financial inclusion are key pillars for sustainable growth and development. The "Access to Finance Project" contributes to strengthening the institutional capacity of the sector and builds on WBG's successful engagement in the development of the microfinance sector in Afghanistan since 2003 setting up the Microfinance Investment Support Facility for Afghanistan (MISFA). This project is implemented by MISFA and the Ministry of Finance, to support and complements the government of Afghanistan's efforts to implement a fully-fledged financial sector development strategy that focuses on increasing access to finance for micro, small and medium enterprises.

To build institutional capacity to improve access to credit of micro, small and medium enterprises. Key component include:

- Improving access to financial services for micro and small enterprises by strengthening the microfinance sector through MISFA, scale up of the Targeting the Ultra Poor Program and supporting the facility's strategy and programs in increase access to financial services for micro and small enterprises.
- Improving access to financial services for small and medium enterprises by supporting the expansion of the Afghanistan Credit Guarantee Facility (ACGF) and increasing commercial bank and microfinance investment lending.

### KEY ACHIEVEMENTS:

- Disbursements have picked up, reaching 11% in July, compared with 4 % last December. There has significant improvement under Targeting Ultra-Poor component.
- Implementing Partners have made significant progress in the past few months.
- 93 percent of beneficiaries have received livestock. The procurement and distribution of the livestock to the target beneficiaries is almost complete; distribution has been completed in Kunar, Laghman, Balkh and Takhar.

### KEY PARTNERS:

- Microfinance Investment Support Facility for Afghanistan (MISFA)
- Ministry of Finance (MOF)
- Afghanistan Credit Guarantee Facility (ACGF)
- Note: The original project cost was 50 million, but due to currency fluctuation between XDR and USD the disbursement figures do not add up to the same total.

## AFGHANISTAN: AGRICULTURE INPUTS PROJECT (AIP)

### KEY DATES:

Approved: June 30, 2013  
 Effective: June 30, 2013  
 Closing: June 30, 2016

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	74.75	16.62	58.13
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (ARTF)	74.75	16.62	58.13

### BACKGROUND AND OBJECTIVES :

Limited access to quality inputs at affordable prices is a key constraint to higher agricultural productivity in Afghanistan. The agricultural inputs delivery network remains underdeveloped, weakly regulated, and distorted, requiring investments and action at the institutional, policy and farm levels.

The project will build institutional capacity in the Ministry of Agriculture, Livestock and Irrigation (MAIL) required for overseeing input quality control, safety and reliability, and availability.

It will support the infrastructure and human resources needed to exercise and enforce quality control for fertilizers and other agro-chemicals, and improve functioning and transition of the seed sector toward a market for certified wheat seed with minimal external support.

The project objective is to strengthen institutional capacity for the safety and reliability of agricultural inputs and the sustainable production of certified wheat seed. The components are:

- Improved Wheat Seed Production supports (a) varietal selection and production of breeder seed; (b) production of foundation and registered seed; and (c) coordination of the seed sector.
- Plant Quarantine Networks and Quality Control of Agro-chemicals supports enhancement of MAIL capacity to implement the quality control of agro-chemicals, including: (a) establishment of an office for pesticides registration; (b) construction of various laboratories; (c) provision of pesticide bio-efficacy trial equipment; and (d) strengthening the fertilizer quality control inspection system.
- Input Delivery Systems supports the analysis of the recipient's current agricultural input delivery systems and assists in the development of an action plan for investment activities in inputs delivery systems.
- Project Management and Monitoring supports management and monitoring of the project.

### KEY ACHIEVEMENTS:

- Designs for the renovation of all the target research and quarantine stations were completed. Civil work contracts for the renovation of 5 research farms have been awarded and physical works have begun.
- Ninety improved lines have been grown in the 3rd (final) year of trials and the best will be entered for registration during 2016. These include varieties suitable for irrigated and rain-fed conditions.
- A wide range of supporting trials, including 1,904 lines tested for disease screening (against a target of 200) and 42 Agronomic experiments (target 28) covering seed rate, planting date, planting method, fertilizer rates, water stress have been carried out according to the agreed program.
- On the Legal Reform Program, the parliament has finally approved the Plant Protection and Quarantine Law which is now awaiting presidential endorsement.
- Following objections in Parliament, the Pesticides Law which had been approved via a decree by the President has now been referred back to Parliament for consideration and approval. The project has also drafted a regulation to support the Fertilizer Law

### KEY PARTNERS:

Ministry of Agriculture Irrigation and Livestock

## AFGHANISTAN: SECOND SKILLS DEVELOPMENT PROJECT

### KEY DATES:

Approved: 19-Mar-2013  
 Effective: 01-Jul-2013  
 Closing: 30-Jun-2018

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	55.0		
Borrower	Ministry of Finance		
Co-financing			
Total Bank Financing	55.0		
IDA	55.0	25.8	24.3
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES :

The project supports the Government of Afghanistan in its strategy to build market relevant vocational and technical skills for economic growth and development. Building on the ongoing Afghanistan Skills Development Project, this program will strengthen the Technical Vocational Education Training (TVET) institutional system, improve performance of TVET schools and institutes, improve teacher competencies, and strengthen monitoring and evaluation systems.

To increase the potential for employment and higher earnings of graduates from Vocational Education and Training institutions through improvements in the skills delivery system.

Components are:

- Strengthening of the TVET institutional system
- Improving the performance of TVET schools and institutes
- Improving teacher competencies
- Project management, monitoring and evaluation and public awareness

### KEY ACHIEVEMENTS:

- The National Institute of Management and Administration (NIMA) has been accredited by an international body (the Accreditation Council for Business Schools and Programs, ACBSP), recognizing the high standard of teaching and learning at the institute
- The share of female beneficiaries in project-supported institutes increased from 21 to 23 percent, while the share of those enrolled in 2016 is 44 percent as a result of targeted efforts by ASDP II.
- The training for 790 technical teachers at the Technical Teacher Training Institute (TTTI) to improve technical competencies and pedagogical skills
- The successful training of 15 school administrators to improve leadership and management skills
- The employment rate of graduates from project-supported institutes has increased from 52 to 68 percent for those who have been employed for over a year.
- The training of 30 master assessors to conduct competency-based assessments and certifications of previously acquired skills
- Award of Voucher Program to 522 TVET graduates to upgrade and strengthen their competencies by pursuing an International Certification program
- Award of Development Grants (\$400,000) to scale up good practices in 8 TVET schools/institutes of DMTVET.
- Award of the Second round of Recognition Grant (\$30,000) to 22 TVET schools/institutes to support the development of strategic business plans

### KEY PARTNERS:

Ministry of Education, Deputy Ministry of TVET

Ball State University for NIMA Institute

International Labor Organization (ILO), GIZ, KOICA

## AFGHANISTAN: TRANS-HINDUKUSH ROAD CONNECTIVITY PROJECT

### KEY DATES:

Approved: October 07, 2010

Effective: March 24, 2011

Closing: February 29, 2016

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	178	9.6	168
Borrower			
Co-financing			
Total Bank Financing			
IDA	178	9.6	168
IBRD			
Trust Fund (SRF Catalytic Fund)			

### BACKGROUND AND OBJECTIVES:

The project aims to improve connectivity across the Hindukush mountain range between Bamiyan and Kabul, through Afghanistan's mineral belt and a part of its agricultural heartland. This will spur economic development, support one of the planned "Resource Corridors", foster domestic and regional trade by strengthening the transport network and promote social integration by reducing time and cost of travelling, particularly for the poorer citizens of the central, northern and southern provinces. The project also directly eliminates the existing transport bottleneck for the development of some agricultural and mining areas which is likely to create jobs for many Afghans.

The project development objective is to improve road transport connectivity across the Hindukush mountain range

- Road construction and rehabilitation. Component 1 will include (i) civil works for the construction of the B2B road and the rehabilitation of the Salang road and tunnel, (ii) consulting services, including for the supervision of works for the same roads and for regular technical audits by an independent international auditor to verify that road works have been executed in compliance with the technical specifications, and (iii) goods, which will include a small number of equipment items which MPW may need to keep the two roads open during the project period.
- Institutional support and project management. This component will be comprised of several subcomponents including road safety, implementation of asset management arrangements for the roads, community engagement, training and capacity building, and project management support.

### KEY EXPECTED RESULTS:

- Reduction in average travel time for trucks on the Baghlan to Bamiyan road.
- Year-round usability of the Baghlan to Bamiyan road.
- Reduce Road Fatality Rate on the B2B road and Salang pass.
- Sustainable mechanism put in place for the management, maintenance and operation of the two project roads.

### KEY PARTNERS:

Ministry of Public Works (MPW)



## AFGHANISTAN: RURAL ACCESS PROJECT

### KEY DATES:

Approved: June 26, 2012  
 Effective: August 12, 2012  
 Closing: March 13, 2018

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	332	248	81
Borrower			
Co-financing			
Total Bank Financing			
IDA	125	122	0 (3 million SDR loss)
IBRD			
Trust Fund (ARTF)	207	126	81

### BACKGROUND AND OBJECTIVES:

Two decades of civil war severely damaged Afghan road network at all levels: regional and national highways, provincial roads and local access roads. Prolonged conflict denied most of the rural population access to essential social services including markets, health centers, schools and government offices.

Formulated in 2002, the National Emergency Employment Program funded short-term employment through restoration of the dilapidated rural infrastructure. This initiative evolved into the National Rural Access Program from 2005, with a strong focus on the provision of year-round rural access to basic social services.

More than 11,000 km of rural roads and related drainage structures have been upgraded or rehabilitated under these programs through four projects financed through IDA, ARTF, and other funds.

The objective of the Afghanistan Rural Access Project is to enable rural communities to benefit from all-season road access to basic services and facilities. Components are:

- Improvement and maintenance of secondary roads: Supports rehabilitation of about 1,000 km roads; 250 km of upgrading existing pavement to bituminous standard; about 1,000 km of routine and periodic maintenance of paved and unpaved secondary roads, and construction of about 1,000 linear meters of bridges.
- Improvement and maintenance of tertiary roads: Will support about 1,300 km of rehabilitation and 2,000 km of routine and periodic maintenance of tertiary roads, and construction of about 1,600 linear meters of bridges.
- Program planning and development, institutional strengthening and program coordination support: Will support human resource and institutional capacity building, program monitoring and evaluation, and program development activities.

### KEY ACHIEVEMENTS:

- Construction of 600 km of secondary gravel roads, 200 km of secondary asphalt roads and over 1000 linear meters of secondary bridges;
- Construction of 1200 km of tertiary roads and 1300 linear meters of tertiary bridges;
- Routine maintenance of 1,300 secondary road and periodic maintenance of 132 km of secondary road;
- Routine maintenance of 3,250 km of tertiary road and periodic maintenance of 1000 km of tertiary road;
- Establishment of new GIS based network planning;
- Roll out of first nationwide inventory and condition survey of rural roads.

### KEY PARTNERS:

Afghan Ministries of Public Works; Rural Rehabilitation and Development; and Finance..

## AFGHANISTAN: RURAL ENTERPRISE DEVELOPMENT PROJECT

### KEY DATES:

Approved: March 09, 2010  
 Effective: June 14, 2010  
 Closing: December 29, 2016

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	34.6 (9.77 cancelled)	34.2	.4
Borrower			
Co-financing			
Total Bank Financing			
IDA	28.4	28.0	.4
IBRD			
Trust Fund	6.2 (9.77 cancelled)	6.2	0

### BACKGROUND AND OBJECTIVES:

Over 75 percent of the Afghan population live in rural areas where agriculture is the primary activity and contributes about one-third of GDP. But poor governance, weak factor markets, inadequate marketing infrastructure, ineffective business development services, and poor post-harvest practices limit the development potential of this sector.

The Afghanistan Rural Enterprise Development Project aims to ensure the social, economic, and political well-being of rural communities, especially the poor and the most vulnerable, while stimulating the integration of rural communities within the economy.

The overall development objective of the project is to improve employment opportunities and income of rural men and women, and the sustainability of targeted local enterprises. Components are:

- Community-led enterprise development: Creates savings groups, enterprise groups and village savings and loans associations. These institutions are assisted in building their own capacities, increasing the value of trade; ensuring production is oriented towards identified market opportunities, and creating access to credit through internal lending.
- Small and medium-sized enterprise (SME) development: Supports the emergence of a stronger SME sector with improved trading linkages with the rural economy and adequate access to financial services. The project finances a sequenced approach for SME support, i.e. identifying key value chains in each province, working with the stakeholders to identify choke points constricting growth, identifying opportunities for value chain linkages and defining skill gaps.
- Project implementation support: Project management, monitoring and evaluation.

### KEY ACHIEVEMENTS:

- The project is currently undergoing an Additional Financing of \$4.7 million and an extension of the closing date up to June 30, 2017. The project has so far established 5,832 saving groups (52 percent female), 510 Village Saving and Loan Associations (VSLAs), and 1,623 Enterprise Groups (65 percent female). It has supported 571 (13 percent female) Small Medium Enterprises.
- The project beneficiaries have saved over AFG 250 million and have internally lent over AFG 255 million to over 20,000 borrowers (54% females) with a recovery rate of over 95%. The project has emerged as the leading rural financial services provider.
- A total of six Provincial Situations Analysis (PSA) are completed and 10 PSAs are underway. A total of 113 pastoral nomads referred to as Kochies and 143 Persons With Different abilities (PWDs) were supported to enhance their enterprise development skills and productivity. As whole, more than 60,000 direct and indirect jobs were created.

### KEY PARTNERS:

Afghan Ministry of Rural Rehabilitation and Development, UK's Department for International Development (DFID) and Swedish International Development Cooperation Agency (SIDA).

## AFGHANISTAN RECURRENT AND CAPITAL COST WINDOW

### KEY DATES:

Approved: May 13, 2002  
 Effective: May 13, 2002  
 Closing: June 30, 2018

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	4,305	4,100	205
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (ARTF)	4,305	4,100	205

### BACKGROUND AND OBJECTIVES:

A coordinated funding mechanism to support Afghan reconstruction is essential to help the country return to normalcy.

Such an instrument needs to be aligned with national priorities, should promote transparency and accountability of reconstruction assistance, and reinforce the national budget as the primary policy instrument.

The international community and the Afghan government have recognized that the Afghanistan Reconstruction Trust Fund (ARTF) should be used to fund the essential recurrent costs required for the government to function effectively.

The objective of the recurrent cost component of the ARTF is to provide a coordinated financing mechanism enabling the Afghan government to make predictable, timely, and accurate payments for approved recurrent costs related to salaries and wages of civil servants, and non-security related government operating and maintenance expenditures.

Components are:

- Reimbursements of civil servant salaries: Establish an amount via grant renewals for reimbursement of civilian expenditures. With the assistance of a third party monitoring agent, the government submissions are then reviewed to determine that these have met the eligibility criteria.
- Reimbursement of operating and maintenance costs: Establish an amount via grant renewals for reimbursement of civilian expenditures. With the assistance of a third party monitoring agent, the government submissions are then reviewed to determine that these have met the eligibility criteria.
- Incentive program: Introduced in 2009, it refers to a series of policy actions and revenue benchmarks agreed to between the World Bank and the government that align with development priorities and which, if attained, entitle the government to an agreed amount of additional funding for the first two components.

### KEY ACHIEVEMENTS:

- Over 14 years, the project has disbursed nearly \$4.1 billion against legitimate recurrent costs in a timely fashion.
- The process provided an opportunity for donors to conduct monitoring of all civilian costs for adherence to financial and eligibility standards.
- The incentive component led to significant reforms in revenue generation, public sector governance, and private sector development.

### KEY PARTNERS:

Government of Afghanistan, all the ARTF donors (34 countries).

## AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY

### KEY DATES:

Approved: January 15, 2012  
 Effective: January 20, 2012  
 Closing: December 31, 2017

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	150		
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (ARTF)	150	48.29	51.71

### BACKGROUND AND OBJECTIVES:

The Capacity Building for Results Facility (CBR) is a key ARTF investment that supports government in developing its internal human capacity, organizational structures and functions over the medium term to improve service delivery to the population. It is demand driven and open to all line ministries and independent agencies. Based on pre-agreed criteria including service delivery potential and reform readiness, line ministries and agencies are grouped as either Category 1 (high priority) or Category 2. Category 1 ministries/agencies receive full CBR reform support whereas Category 2 ministries receive foundational ("CBR-readiness") inputs designed to upgrade them to Category 1.

Both Category 1 and Category 2 CBR ministries/agencies must develop a comprehensive reform plan (to be implemented with existing donor and government resources) with a results framework to which it is held accountable.

CBR enables a ministry/agency to hire skilled Afghans into civil service positions at more competitive rates.

The project's development objective is to improve the capacity and performance of priority line ministries and independent agencies in selected reform areas.

Components are:

- Technical Assistance Facility in Support of Civil Service Reform: Provides short-term technical assistance to support the participating ministries and agencies to develop and implement their reform plans.
- Building Human Resources: Supports the continued implementation of broad civil service reform efforts and placement of critical managerial and professional staff resources in participating line ministries.
- Project Management, Monitoring and Evaluation: Focuses on overall project management, monitoring and reporting, and consultancy services for appraisal and review of implementation progress and results of Capacity Building for Results programs.

### KEY ACHIEVEMENTS:

- Nine of thirteen priority ministries/agencies as well as five Category 2 ministries/agencies have approved and are implementing CBR reform programs. Two more Category 1 and one more Category 2 ministries/agencies have developed CBR reform programs that are currently under approved.
- Recruitment of senior and mid-level civil servants funded through CBR is progressing; a total of 222 positions have been selected through CBR with around 750 more in various stages of recruitment.
- CBR has also been a front-leader for and is supporting salary harmonization efforts for donor-funded consultants (NTA).

### KEY PARTNERS:

Afghan Ministry of Finance, Independent Administrative Reform and Civil Service Commission (IARCSC), key Afghan line ministries, USAID, DFID and European Union



## AFGHANISTAN: SECOND EDUCATION QUALITY IMPROVEMENT PROJECT

### KEY DATES:

Approved: January 31, 2008  
Effective: March 20, 2008  
Closing: December 31, 2016

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	438	366	72
Borrower			
Total Bank Financing			
IDA	30	30	0
IBRD			
Trust Fund (ARTF)	408	336	72

### BACKGROUND AND OBJECTIVES:

The Second Education Quality Improvement Program (EQUIP II) has expanded the scope of education sector investments into a national, multi-donor supported project that is fully aligned with the vision and goals set out by the Ministry of Education.

Institutionally, EQUIP II seeks to consolidate the following implementation systems: (i) the community and school-based management education system; (ii) the supervision and monitoring systems through the provincial and district education departments' teams; and (iii) the systems, procedures and skills within key departments of the Ministry of Education to continue to guide education services in a systematic and results-oriented approach.

The objective of the Project is to assist the Recipient in increasing equitable access to quality basic education – especially for girls. The project Components are:

School Grants provided to develop linkages between schools, communities, and local governments while supporting and empowering schools and communities as local education managers. Infrastructure Development School Grants provided to rehabilitate and construct schools using community participation and community based decision making for small school and national competitive bidding for larger and more complex buildings. Teacher and Principal Training and Education: The objective of this component is to create sustainable systems which will increase the level of professional knowledge and skills of educators throughout Afghanistan by providing training to teachers and principals. Project Management and Monitoring and Evaluation: The objective of this component is to build on and support the existing administrative structures in MOE as well as at the provincial and district levels, and establish and implement an M&E system for the project.

### KEY ACHIEVEMENTS:

- There are 8.7 million children enrolled in schools in General Education in Afghanistan of which 3.4 million are girls. The number of Teaching Assistants financed under the EQUIP project has been substantially reduced from approximately 1,500 to 695. All of these now follow the CBR scale and subsequently the National Technical Assistance (NTA) scale.
- Under both phases of the Education Quality Improvement Program, social mobilization activities have resulted in the establishment of 14,932 school Shuras (community-based consultative bodies)
- 16,588 schools have received Quality Enhancement Grants for purchase of school supplies, laboratory equipment, and other purposes.
- 154,699 teachers have been trained in INSETs 1-5, of which 35 percent teachers are female

### KEY PARTNERS:

Ministry of Education, ARTF donors (US, UK, Denmark, Canada, Sweden, Australia, Germany, and Norway)

## AFGHANISTAN: HIGHER EDUCATION DEVELOPMENT PROJECT

### KEY DATES:

Approved: January 31, 2008  
 Effective: March 20, 2008  
 Closing: December 31, 2016

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	50	8.7	41.3
Borrower			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (ARTF)	50	8.7	41.3

### BACKGROUND AND OBJECTIVES:

The Higher Education Development Project (HEDP) supports the national priorities of the sector as outlined in the Second National Higher Education Strategic Plan (NHESP II), with a focus on increasing access, improving the quality and the relevance of higher education for economic development. In addition to NHESP II, the project builds on the experience of implementing the previous Bank funded higher education project as well as the sector analysis. HEDP follows a results-based financing modality through the DLI (Disbursement Linked Indicator) approach.

The Project development objective is to increase access to, and improve the quality and relevance of, higher education in Afghanistan. The project components include:

- Higher Education Development Program. This component supports the implementation of the NHESP-II through a Results-Based Financing (RBF) modality. Disbursements are associated with specific results called Disbursement Linked Indicators (DLIs). Financing is provided against Eligible Expenditures Programs (EEPs) selected from annual MoHE budgets, rather than against specific inputs. Increasing Access to Priority Degree Programs for Economic Development, b) Modernizing and Enhancing the Quality of Teaching and Learning, c) Improving the Qualifications and Skills of University Staff Members, d) Strengthening Governance, Quality Assurance and Accreditation, and e) Stimulating Development Oriented Research.
- Program Operations and Technical Support. This component aims to strengthen the capacity of MoHE and universities to implement the reforms of the NHESP-II. Support under this component will cover coordination, capacity building, innovations, monitoring and evaluation, research and communication.

### KEY ACHIEVEMENTS:

- Access to priority degree programs for economic development includes provision of a number of services especially aimed at promoting female enrolment. Construction of the residential facilities and provision of transport arrangements for female students are under the procurement process. Workshop and training programs have been organized on counselling and orientation services provided to female students.
- Twenty-four champions for Outcome-Based Education and Student Centered Learning have been identified, who will undergo advanced training at the Malaysian University of Technology (UTM) by October. Lessons learned from the first round of the scholarships will be applied to the selection process for the next 100 scholarship slots to be awarded by December 2016. More than 100 scholarships have been awarded so far and one third of these were allocated to female academics from public universities. These scholarships are for priority discipline areas such as Engineering, Medicine, IT and Agriculture that are important for economic development. The candidates are younger male and female academics from the public universities whose qualifications need to be up graded to a Master's level.
- Findings from a university benchmarking exercise facilitated by the Bank will be incorporated into the development of Strategic Institutional Development Plans. Three universities are expected to develop and finalize their SIDPs by the end of October this year. The revised scorecard for internal quality assurance has been endorsed by the MOHE.
- Four additional Internal Quality Assurance Units (IQAU) will be established with Managers selected from among the respective university faculty.
- External peer review of 8 universities for 2016 will soon be underway in line with a revised accreditation framework. Research projects for 20 individual and 10 group research projects have been awarded and the call for a proposal for an additional 30 research projects has been announced.

### KEY PARTNERS:

Ministry of Higher Education, ARTF Donors (USAID has been a key partner, including through their off-budget support to the sector).

## AFGHANISTAN: FINANCIAL SECTOR RAPID RESPONSE PROJECT

### KEY DATES:

Approved: August 25, 2011  
 Effective: September 06, 2011  
 Closing: June 30, 2016

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	25.7	9.8	13.2
Borrower	DAB/ Finance Ministry		
Co-financing			
Total Bank Financing	25.7		
IDA	25.7		
IBRD			
Trust Fund (ARTF)			

### BACKGROUND AND OBJECTIVES:

Financial stability is central to sustainable development and financing growth in Afghanistan. Central Bank of Afghanistan (DAB) is required to play a pivotal regulatory role to maintain financial stability and health of the financial system. Moreover, investing in financial infrastructure is a key to enhance financial intermediation and boost the system's efficiency. This project is run by the Central Bank of Afghanistan (DAB) and aims at supporting the following activities: (i) undertaking financial audits in accordance to international standards, portfolio audit and institutional audit of 10 key commercial banks operating in Afghanistan; (ii) modernization of the Afghanistan national payment system to facilitate payments within the country; (iii) support for the development of the Afghanistan Institute of Banking and Finance; and (iv) technical assistance and training for project implementation.

In May 2016, a level 2 restructuring of the project was undertaken to extend the closing date of the project from June 30, 2016 to June 30, 2018 to give DAB and the project team enough time to complete implementation of ongoing activities under the original project and preparation of the new Additional Financing, requested by the Government.

The project assists DAB in developing action plans for improved banking supervision and to establish key building blocks of financial sector infrastructure: payment system, movable collateral and public credit registry. Components and subcomponents are:

- Strengthening of DAB's capacity: This component includes i) financial, portfolio and institutional audit of 10 commercial banks operating in Afghanistan, ii) Stock taking on capacity building efforts on financial supervision over the last 10 years and development and implementation of a capacity building plan to sustainably strengthen the Financial Supervision Department; iii) Review of banking regulation framework, and iv) Development and implementation of action plans following audits of commercial banks
- Development of the financial sector infrastructure: This component involves modernization of the national payment system, and support to the Afghanistan Institute of Banking and Finance.
- Technical assistance and training for project implementation

### KEY ACHIEVEMENTS:

- Under this project a fully-fledged audit of the key 10 commercial banks operating in Afghanistan was completed and provided DAB with detailed and thorough guidance on the state of financial stability within the banking system.
- The Movable Collateral Registry established in February 2013 and the Public Credit Registry launched in December 2013 are key building blocks in the infrastructure of the Afghan financial system. Having both systems fully functional streamlined SME's application to banking loans and well supported bank's lending decisions.
- Establishment of the national card and mobile payment switch is underway at the Afghanistan Payment System. The procurement process for development of the Automated Transfer System (ATS) is complete and the contract was awarded to the recommended firm on April 15, 2016. ATS is meant to modernize the national payment system for efficient and transparent payment transactions. The ATS and its subcomponents will support enhancing financial intermediation and enabling safety and efficiency of the financial system.

### KEY PARTNERS:

Da Afghanistan Bank (Afghan central bank or DAB), Afghanistan Payment System (APS)

## AFGHANISTAN: ICT SECTOR DEVELOPMENT PROJECT

### KEY DATES:

Approved: April 26, 2011  
Effective: June 14, 2011  
Closing: June 30, 2017

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	50	30.863	15.772
Borrower			
Co-financing			
Total Bank Financing	50	30.863	15.772
IDA			
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

Since 2002, Afghanistan has made considerable progress in telecommunications connectivity, and mobile telephony has become widespread. A high-capacity fiber optic backbone network connects many provinces and provides international connectivity to neighboring countries. The information and communications technology (ICT) sector offers opportunities to expand the reach and delivery of government services and stimulate private sector-led economic growth and employment generation.

This Project builds on the strong growth seen thus far in mobile services to expand service delivery while accelerating expansion and improvements in backbone network connectivity. It also seeks to expand broadband connectivity and accelerate the development of the local private sector IT industry.

The goal is to expand connectivity, encourage widespread use of mobile applications in strategic sectors in the government, and support the development of the local information technology (IT) industry.

Components are:

- Expanding connectivity: Finances the expansion of the national backbone network by 1,000 km and supports the creation of an enabling policy and regulatory environment to increase the reach of high quality mobile telephone and Internet services to more users.
- Mainstreaming mobile applications: Supports activities that build on the high penetration of mobile telephones in Afghanistan to expand the reach and improve the quality of public services and applications that support program management.
- IT industry development: Supports the definition of an IT sector development policy; an IT skills development program to expand the pool of skilled IT professionals as a key building block for sector development in Afghanistan; and the setting up of an incubator for ICT firms in the ICT Village.

### KEY ACHIEVEMENTS:

- The deployment of the fiber optical backbone network in the North East section was completed and handed over to Afghan Telecom. Work on the central route to Yakawlang is almost completed, and contracts for Kunar, Kapisa, Ghulam Khan Office and Bamiyan-Mazar-e-Sharif routes have been signed. Implementation progress will be closely monitored by MCIT and the Bank team.
- The m-Government service delivery platform (Mobile Platform) was soft launched on Afghan Telecom's network. Selected m-Government Application and Services are expected to be launched through all GSM/3G Operators of Afghanistan for selected Ministries, after the MoUs are signed with the MNOs and the selected Ministries by MCIT in October, 2016. Implementation of the Innovation Support Program (US\$1m) continues to be slow due to limited level of participation by ICT Professionals of the Country and there is a significant need for capacity building of the potential beneficiaries. To date, over 2,300 people (including 400 Females) have been provided ICT skills training. The incubator program is progressing well, with 20 startups already active. MCIT and the ICT institute are encouraged to develop internal capacities to ensure sustainability of the program beyond the project closing.

### KEY PARTNERS:

Afghan Ministry of Communication and Information Technology, World Bank Task Team, U.S. Government, International Security Assistance Mission for Afghanistan, Afghan ICT firms.



## AFGHANISTAN: IRRIGATION RESTORATION AND DEVELOPMENT PROJECT

### KEY DATES:

Approved: April 28, 2011  
 Effective: June 15, 2011  
 Closing: December 31, 2017

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	215.8	92	116
Borrower			
Co-financing			
Total Bank Financing			
IDA	97.8	71	19
IBRD			
Trust Fund	118	21	97

### BACKGROUND AND OBJECTIVES:

The Irrigation and Restoration and Development Project (IRDP) is designed as a follow-up initiative to the IDA-funded Emergency Irrigation Rehabilitation Project (EIRP). While various bilateral and multilateral donors supported the reconstruction or development of specific dams or river basins, the EIRP was instrumental to the government's launch of a national irrigation rehabilitation program in 2004. The EIRP had a national coverage and was designed to respond to requests and demands of local communities. The project was restructured and received an Additional Financing of 70 million through the ARTF.

The objective is Improve access to irrigation in targeted areas and strengthen capacity for water resources management.

Components are:

- Rehabilitation of irrigation systems: Supports the rehabilitation of irrigation schemes covering total irrigated area of about 217,000 hectares.
- Dam Development and O&M, : Supports the preparation of three multi-purpose small dams in the northern river basin and undertaking of critical repair works for at least two dams
- Water Resources Management and Development: Continued support for restoration of the hydromet data collection networks, technical support for hydromet-data analysis and update of river basin management plan for the key river basins
- Project management and capacity building: Includes (i) project management and construction supervision; (ii) support for capacity building; and (iii) incremental contract staff.

### KEY ACHIEVEMENTS:

- A total of 98 irrigation schemes have been rehabilitated, benefiting 100,000 ha of irrigation command area (compared to the end project target of 300,000 ha) and 63,000 farmers.
- Feasibility studies of 6 small dams in the northern river basin have been completed. Detailed social and environmental studies will be done.
- Regular data collection is under way from 127 hydrological stations and 56 snow and meteorological stations at various locations on the five-river basin and work started on an annual Hydrology Book. Forty cableway stations for flow measurement at selected hydrology stations are installed.

### KEY PARTNERS:

Afghan Ministry of Energy and Water, U.N. Food and Agriculture Organization

## AFGHANISTAN: NEW MARKET DEVELOPMENT PROJECT

### KEY DATES:

Approved: May 30, 2011  
 Effective: July 12, 2011  
 Closing: February 29, 2016

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	22	16.1	3.5
Borrower	MOCI		
Co-financing	None		
Total Bank Financing	22	16.1	3.5
IDA	22	16.1	3.5
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

The Afghanistan New Market Development Project (ANMDP) is the first World Bank funded project to be implemented by Ministry of Commerce and Industries since the World Bank's re-engagement in Afghanistan. It seeks to support the development of the Afghan private sector.

The objective is to help revitalize private sector activities in the four major cities – Kabul, Mazar-e-Sharif, Jalalabad, and Herat – by providing business development and technical assistance to support private firms' initiative to gain market knowledge, improve product quality and processing technologies, and increase their presence in both domestic and export markets.

Components are:

- Facility for New Market Development: Establishes a cost-sharing mechanism to support small- and medium-sized enterprises (SMEs) and business associations to access business development services in order to enhance productive capacity and encourage innovation through product or market diversification.
- Project implementation support and technical assistance to the Ministry of Commerce and Industry (MOCI): Supports MOCI with: (i) the establishment and operation of a project management unit for the New Market Development Project; and (ii) technical assistance to develop a strategic plan to access support from the recently approved Afghanistan Capacity Building for Results (CBR) Facility.

### KEY ACHIEVEMENTS:

- ANMDP has largely met its development objectives as measured by the monitoring indicators.
- Based on the latest information provided by GIZ IS, there are indications of significant progress towards achieving the ANMDP PDO and its associated results targets. Under the ANMDP, the Facility for New Market Development (FNMD) was launched in March 2013 and in the two and a half years of its core implementation, received 1,050 applications across the four cities of Kabul, Mazar-e-Sharif, Jalalabad and Herat.
- To date, 376 firms against a revised target of 375 and 54 associations against a revised target of 30 have been assisted. Sales have increased by an average of 24 percent against a target of 20 percent over pre-grants levels across the four cities. 1,516 jobs, of which 30 percent are filled by women, have been created against a target of 1500 of which 5 percent were targeted at women.
- 21 new or improved products have been introduced and 25 new international markets entered against a target of 20 new/improved products created or new markets entered. Out of the total funding envelope of US\$ 11.2 million for matching grant to SMEs and US\$ 0.8 million for Business Planning Supplementary Program Assistance under the FNMD component of the current Project, approximately US\$ 10.3 million has been reimbursed to SMEs to date.
- Throughout the three-year implementation period, FNMD was well established, recognized by the private sector, and active in Kabul, Mazar, Herat and Jalalabad.

### KEY PARTNERS:

- Afghanistan Ministry of Commerce and Industries (MOCI)
- Note: The original project cost was 22 million, but due to currency fluctuation between XDR and USD the disbursement figures do not add up to the same total.

## AFGHANISTAN: NATIONAL HORTICULTURE AND LIVESTOCK PROJECT

### KEY DATES:

Approved: December 18, 2012  
 Effective: December 22, 2012  
 Closing: March 13, 2018

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	218.2	61.86	156.3
Borrower			
Co-financing	28.2		
Total Bank Financing			
IDA			
IBRD			
Trust Fund	190	16.86	128.14

### BACKGROUND AND OBJECTIVES:

The agriculture sector accounts for 31 percent of GDP, but provides employment to 59 percent of the labor force. The government's strategy for economic growth and poverty reduction includes development of perennial horticulture and livestock as key activities.

The project will build on achievements made by a previous initiative in promoting adoption of improved production practices. Its main focus will be on effectively graduating from an emergency phase and into a development approach.

The objective is to promote adoption of improved production practices by target farmers, with the gradual rollout of farmer-oriented agricultural services, delivery systems and investment support.

Components are:

- Horticultural production: Provides target beneficiaries with demand-driven extension and productive investment support, including organizational support (e.g., orchard management, value addition and marketing) for farmers and extension support for the successful adoption of improved technology.
- Animal production and health: Provides beneficiaries with investment support for animal production and animal health, and extension support for adopting improved technology packages. It also supports public investments for the establishment of an animal health surveillance and control system, and in the development of improved models of intervention through trials and studies to inform policy on possible future private investment.
- Implementation management and technical assistance: Supports implementation management at national and regional levels, and technical assistance to inform implementation, policy development and capacity building at the Ministry of Agriculture, Irrigation, and Livestock.

### KEY ACHIEVEMENTS:

- Reached over 287,205 farmers and herders of which 119,694 are women, introducing improved production practices, extension services and technologies. Financed the establishment of 12,595 ha of improved land in 28 provinces. Rehabilitated more than 70,000 ha of orchards and established 58,116 kitchen gardening schemes.
- To date, 358 raisin drying houses have been completed and an additional 639 houses are planned to be completed by the end of 2016. Construction was completed of 403 water harvest structures that are being used by farmers with a high level of satisfaction.
- 89,090 farmers (57,150 female and 31,940 male) have been organized into 1,590 producer groups, including poultry producer groups, to receive regular training in animal production and health practices.
- Under the National Brucellosis Control Program in 360 districts 1,250,880 young female calves and over 6,279,200 young female sheep and goats have been vaccinated.

### KEY PARTNERS:

Afghan Ministry of Agriculture, Irrigation and Livestock (MAIL).

## AFGHANISTAN: NATIONAL SOLIDARITY PROGRAM

### KEY DATES:

Approved: June 29, 2010  
 Effective: October 06, 2010  
 Closing: March 31, 2017

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	1,158.82	1,115.56	43.26
<b>Borrower</b>			
Co-financing	9.59	9.4	0.19
<b>Total Bank Financing</b>			
IDA	41.98	41.97	0.01
IBRD			
Trust Fund	1,107.25	1064.19	43.06

### BACKGROUND AND OBJECTIVES:

The National Solidarity Program (NSP) is a flagship program of the government of Afghanistan and is currently operating in all 34 provinces. The Afghan government launched NSP to lay the foundation for a sustainable form of inclusive local governance, rural reconstruction, and poverty alleviation. In late 2015, the National Unity Government began the 'Jobs for Peace' initiative and the NSP was the first to respond by creating the 'Maintenance Cash Grants (MCG) scheme' that would demonstrate to the rural populations the presence and ability of the GoA to continue to deliver services and benefits. By working through CDCs it also supports the sustainability of these local institutions as development platforms across the country.

The objective is to build, strengthen, and maintain community development councils (CDCs) as effective institutions for local governance and socioeconomic development. The project components are:

- Capacity building: Establish CDCs to (i) function as village-level governance bodies for continued empowerment of village communities; and (ii) facilitate communities' participation in the various sector programs operating in rural areas.
- Community grants for economic and social development: Provide block grants to communities to fund priority investment schemes (sub-projects) for rural and social development.
- Project implementation: Support the Ministry of Rural Rehabilitation and Development's overall management and oversight of NSP.

### KEY ACHIEVEMENTS:

- Since 2003, NSP has successfully established CDCs in over 35,000 communities, and supported subsequent rounds of CDC elections in over 11,500 of these communities. Over 450,000 CDC members have been elected, registered and trained in a variety of areas. Over 1.23 million community members have also been trained to support the CDCs with project management and/or operations and maintenance.
- NSP has completed over 84,000 community level infrastructure schemes in all three phases which has resulted in greater access to services. Over 53,300 kilometers of road was constructed and 310 km rehabilitated; over 11.7 million people were provided with access to improved water sources and a further 86,300 improved community water points were constructed; 32 MW of power was generated; over 524,000 hectares of land was brought under irrigation or provided with irrigation and drainage services, and 1,974 classrooms were built. All these sub-projects have generated over 52 million days of paid short term employment for skilled and unskilled workers.
- Since December 2015, the MCG has rolled out equitably across the country to 45 districts in 12 provinces (Baghlan, Balkh, Farah, Faryab, Herat, Jawzjan, Kandahar, Khost, Kunarha, Kunduz, Laghman, and Nangarhar) that had high underemployment rates. As of August 2016, US\$35 million has been disbursed as small US\$10,000 grants directly to 3,900 CDCs, who administer the funds and select skilled and unskilled workers from the poorest households.
- As of July 2016 a total of 1.9 million labor days have been generated, and with an additional financing of US\$57 million the MCG is expected to roll out to all Provinces and will have created over 11 million paid-for-labor-days that will directly benefit over 440,000 households. Efforts are being made to target the poorest households and provide food security through 2-3 months of income generation during the lean periods in the year.

### KEY PARTNERS:

Afghan Ministry of Rural Rehabilitation and Development (MRRD), Afghanistan Reconstruction Trust Fund Donors

## AFGHANISTAN: ON-FARM WATER MANAGEMENT PROJECT

### KEY DATES:

Approved: March 16, 2011  
 Effective: March 16, 2011  
 Closing: December 31, 2019

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	25	23.8	1.2
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (ARTF)	25	23.8	1.2

### BACKGROUND AND OBJECTIVES:

Most irrigation schemes in Afghanistan are operating at 25 percent efficiency, as compared to the norm of 40-60 percent elsewhere in South Asia. Water loss occurs at farm level because the absence of proper farm-level irrigation systems (basins, furrows) leads to wastage of water supplied from the watercourses. Under the Agriculture Production and Productivity Program, the first step is to improve agricultural productivity by reducing water loss in tertiary canals and proper on-farm water management practices. An Additional Financing of about \$45 million from ARFT has been granted.

The objective is to improve agricultural productivity in project areas by enhancing the efficiency of water used.

Components are:

The objective is to improve agricultural productivity in project areas by enhancing the efficiency of water used.

Components are:

- On-farm water management: Carries out social mobilization for the establishment of irrigation associations (IAs) in the project areas, including the provision of: (i) training to communities in organization and management of IAs; (ii) facilitation services for communities to develop the IAs' internal legal rules and regulations; (iii) assistance to IAs to be registered under the Water Law; (iv) technical training to IAs; and (v) carrying out engineering surveys and infrastructure improvements to small irrigation schemes, or tertiary canals, covering approximately 10,000 hectares in the project areas.
- Support for Agricultural and Water Productivity Enhancement, aiming at exploiting irrigation potentials through demonstration and technical training at the on-farm level.
- Institutional strengthening and capacity building: Develops institutional capacity at the Ministry of Agriculture, Irrigation and Livestock (MAIL) to plan, design, implement and monitor on-farm water management programs. Supports the construction of five office buildings to accommodate the ministry's irrigation directorate and staff at five regional centers in Kabul, Herat, Mazar-e-Sharif, Baghlan and Jalalabad.
- Project management, coordination, monitoring and evaluation: Strengthens institutional capacity at the ministry for project implementation, monitoring and evaluation by establishing and maintaining a project implementation unit comprising a Kabul-based core team, five project area teams, and internationally recruited experts.

### KEY ACHIEVEMENTS:

- Land productivity of wheat and other crops has increased by 15 percent, while water productivity of wheat and other crops also increased by 10 percent and irrigated area by 10 percent.
- Physical rehabilitation of irrigation schemes exceeded its target with good quality and within the project budget allocation and timeline: as of now, 100 irrigation schemes (mostly informal) have been rehabilitated covering a total of 19,000 hectares of irrigation command area.
- Establishment of 175 irrigation associations (IAs) has been completed. The IAs are based on the traditional Mirab system and have taken up the responsibilities for operation and maintenance.
- A robust impact has been observed on increasing agriculture production with relatively modest investment costs (on average less than \$500 per hectare).

### KEY PARTNERS:

Afghan Ministry of Agriculture, Irrigation of Livestock (MAIL).



## AFGHANISTAN: SECOND PUBLIC FINANCIAL MANAGEMENT REFORM PROJECT

### KEY DATES:

Approved: August, 2011  
 Effective: June 23, 2011  
 Closing: June 30, 2017

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	114.13	75.40	38.73
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund	114.13	75.40	38.73

### BACKGROUND AND OBJECTIVES:

Building core public financial management (PFM) capacity in government has been one of the fundamental thrusts of the Bank's interim support strategy for Afghanistan. The Bank has gained valuable insight on PFM issues in Afghanistan through IDA-funded technical assistance projects and extensive analytical work.

In the wake of discussions between the government and the donor community on a planned transition for Afghanistan to take greater responsibility in managing the reconstruction agenda, the government prepared and shared with donors at the Kabul Donor Conference in June, 2010 a PFM "roadmap". It is guided by the vision that (i) policies that reflect the aspirations and needs of the Afghan people drive the government budget; (ii) a government budget assigns responsibility for development outcomes; (iii) efficient public finance and equitable allocation of resources sustain economic development; and (iv) accountable civil servants and equitable delivery of services build citizens' trust in government.

On February 10, 2016, Additional Financing of \$41.125 million was approved to help finance the costs associated with scaling up successful activities and sustain some achieved results in the project.

PFMR II's original development objective is to strengthen the efficiency and effectiveness of Afghanistan's procurement, treasury, and audit systems". The project components are:

- Procurement reform: Introduces procurement reform aimed at enhancing procurement facilitation, capacity building in line ministries and provinces, and institutional development.
- Financial Management Reform: Financial management reform: Supports financial management reform in treasury operations and system development, human resources capacity development, professional accountant organization, and line ministry public financial management assessments.
- Audit reform and performance: Supports reforms and performance improvement through training for internal and external Audit. Reform management: Supports monitoring technical assistance and reporting on benchmarks of the PFM roadmap.
- Revenue Mobilization: Support to the Afghanistan Revenue Department for maintenance of computerized tax system, implementation of tax related initiatives and design & implementation of its new organizational structure.

### KEY ACHIEVEMENTS:

- The legal framework underpinning public financial management in Afghanistan has been established. The government now prepares and passes a comprehensive budget in an orderly and transparent manner.
- A government-wide integrated financial management information system is in place and is being upgraded.
- Project support to Afghanistan's centralized procurement oversight has been mobilized and National Procurement Authority, as the successor to the Procurement Policy Unit, continues to assist with the reorganization, development and assessment of procurement units in the line ministries. External audit is now engaged in performance audit and is committed to developing a mechanism for citizens' participation in the audit.

### KEY PARTNERS:

Ministry of Finance, Supreme Audit Office of Afghanistan, National Procurement Authority

## AFGHANISTAN: SECOND CUSTOMS REFORM AND TRADE FACILITATION PROJECT

### KEY DATES:

Approved: May 25, 2010  
 Effective: December 28, 2010  
 Closing: June 30, 2014  
 Revised Closing: December 31, 2017

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	71.98	56.63	16.06
<b>Borrower</b>			
<b>Co-financing</b>			
Total Bank Financing	71.98	56.63	16.06
IDA	71.98	56.63	16.06
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

The Second Customs Reform and Trade Facilitation Project and Additional Financing continues the Bank's support as part of the overall donor effort to reform and modernize Afghan customs. It assists the Afghanistan Customs Department in consolidating the customs modernization process, improving governance, and improving the release of legitimate goods in a fair and efficient manner.

The objective is to "Improve the release of legitimate goods in a fair and efficient manner". The project components are:

- Countrywide computerization of Customs clearance operations through implementation of Automated System for Customs Data (ASYCUDA).
- Installation of executive information systems for Customs to allow real-time monitoring of operations through a new functionality (management summary and statistical reporting and alerts) to improve governance and mitigate chances of corruption.
- Development of possible options for cross-border Customs cooperation. Reviews the current available options to improve Customs-to-Customs cooperation, including data sharing between Afghanistan and its bordering countries.
- Provision of selected Customs infrastructure: Builds selected Customs infrastructure to enable modernized operations such as Inland Clearance Depots in Jalalabad, Kabul, Khost, Nimroz, Farah, Andkhai, Ghazni, Paktika as well as the Aqina Border Post.
- Technical assistance: Support the development of adequate regulatory, administrative and institutional framework for Customs.

### KEY ACHIEVEMENTS:

- The ASYCUDA World Declaration Processing System (DPS) is now operational in 13 Customs sites. ASYCUDA World International Transit is operational on 7 main corridors, ASYCUDA Risk-management module in 10 ICDs; ASYCUDA Valuation Control in 7 ICDs and the Entry-Exit control module operational in 4 Customs sites.
- Customs-to-Customs Cooperation Agreements between Tajikistan and Afghanistan, and Iran and Afghanistan have been signed. Real time data exchange between Afghan and Tajik Customs already was set up and tested, and finally went live in Tajikistan in February 2016. ACD has also started negotiations with UAE and Turkish Customs, for signing similar cooperation agreements.
- Infrastructure development was completed successfully, with 10 large and 21 smaller civil works-related contracts completed, including a new Customs House at Khost, and improvements to Kabul, Jalalabad, Kandahar and Nimroz Customs Houses.

### KEY PARTNERS:

The Afghan Customs Department, Ministry of Finance, U.N. Conference on Trade and Development, USAID, European Commission, U.K. Department for International Development, Government of Canada, U.N. Assistance Mission in Afghanistan, the Government of Japan, U.N. Office on Drugs and Crime, International Monetary Fund, Asian Development Bank.

## AFGHANISTAN: SUSTAINABLE DEVELOPMENT OF NATURAL RESOURCES PROJECT II

### KEY DATES:

Approved: May 31, 2011  
Effective: September 21, 2011  
Closing: March 30, 2017

### FINANCING (IN MILLION US DOLLARS):

\*As of August 2016

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	-	32.28	3.618
Borrower			
Co-financing			
Total Bank Financing	-	32.28	3.618
IDA	-	32.28	3.618
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

As part of a program approach to oil, gas and mining sector development in Afghanistan, the Executive Directors approved the following technical assistance operations: (i) Sustainable Development of Natural Resources Project (SDNRP) in 2006 (\$30 million); (ii) SDNRP-Additional Financing (SDNRP-AF) in 2009 (\$10 million); and (iii) Second SDNRP (SDNRP-2) in 2011 (\$52 million). The first two have closed. SDNRP-2 aims to assist the MoMP and the National Environmental Protection Agency (NEPA) in further improving their capacities to effectively regulate the GoA's mineral resource development in a transparent and efficient manner, and foster private sector development.

To assist the Ministry of Mines & Petroleum (MoMP) and the National Environmental Protection Agency (NEPA) in further improving their capacities to effectively regulate Afghanistan's mineral resource development in a transparent and efficient manner, and foster private sector development. The project components are: 1) Award of contracts and licenses, 2) Regulation and monitoring of operations, 3) Preservation of antiquities, and 4) project implementation support.

### KEY ACHIEVEMENTS:

The project provided technical support in the following areas:

- The establishment of an International Advisory Panel (IAP) to ensure the transparency of the negotiations process; and the preparation and publication of 18 sub-sector development policies by commodity to guide sustainable development.
- 3D imaging scanning of the exposed Buddhist complexes at Mes Aynak, the resulting modeling would facilitate the virtual reconstruction of the site for future generations to admire.
- Capacity building activities provided to Civil Social Natural Resource Monitoring Network (CSNRMN), MoMP officials and policy makers, Afghan Geological Survey, and National Environmental Protection Agency (NEPA).
- Development of the computerized mining Cadastre system (AMCS+) for MoMP and training Afghan personnel on the system.
- Advice and support to the MoMP in the management of Aynak Copper Project, development of Financial Management Information System (FMIS) for MoMP,

### KEY PARTNERS:

Project is implemented by Ministry of Mines and Petroleum Afghanistan.

## AFGHANISTAN: JUSTICE SERVICE DELIVERY PROJECT

### KEY DATES:

Approved: June 01, 2012  
 Effective: June 01, 2012  
 Closing: June 01, 2017

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	25	16.12	8.88
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund	25	16.12	8.88

### BACKGROUND AND OBJECTIVES:

The project seeks to help the Government to put the justice system on a sustainable path for long-term results, and where possible improve service delivery through discrete inputs designed to inform and incentivize eventual reform of the justice sector. The Justice Service Delivery Project beneficiaries include the Supreme Court, the Ministry of Justice, and the Attorney General's Office and – through support to these institutions – the people of Afghanistan, who will benefit from increased access to legal services.

A project restructuring was completed in June, 2016 which resulted in partial cancellation of S\$60.5 million out of the US\$85.5m originally approved for the project thereby, reducing the project's commitment amount to US\$25 million. The PDO and project components, however remain the same.

The objective is to increase access to and use of legal services through balancing demand and supply of core services and increasing the productivity of providers through: (i) aligning the structure, organization, processes and capacities of judicial institutions to contemporary needs of users; and (iii) easing access to legal information for legal professionals, judicial institutions and the broader public. The components are:

- Legal Empowerment
- Organization and Capacity of Justice Institutions
- Implementation Capacity.

### KEY ACHIEVEMENTS:

- The level of legal aid provision has been increased with the project facilitating 65 legal aid providers across the country each expected to handle 10 cases per month. Legal Aid Offices were established in the four pilot provinces (Kabul, Herat, Logar, and Bamyan) targeted by the project.
- Complementary to this, libraries have been established by the project in each of these provinces, and a legal information center is close to completion with the necessary IT equipment procured and installed, and staffing needs for the center are in process of being recruited. The project has also supported training for 125 judges, with training of a further 40 judges scheduled.
- The project has completed a limited number of renovation and construction activities to create an appropriate working environment for justice institutions. These include courts and prosecutor's offices in the four pilot provinces, and a Ministry of Justice (MOJ) Sub-office in the Dehsabz District of Kabul. Construction of new MOJ headquarters and renovation of its old headquarters (within the same compound) are ongoing, while procurement process for an urban court in Kandahar and one in Parwan has concluded with construction soon to commence.
- Several activities expected to help lay the foundation for eventual reform of the justice sector, such as Justice Institutions Mapping, HRM Strategy Development and Training Needs Assessment, are in process.

### KEY PARTNERS:

Supreme Court, Ministry of Justice, Attorney General's Office, Ministry of Finance, UNDP (legal aid), USAID (court case management), Italian Development Corporation (partnership for justice), European Union.

## AFGHANISTAN: SYSTEM ENHANCEMENT FOR HEALTH ACTION IN TRANSITION PROJECT

### KEY DATES:

Approved: February 28, 2013  
 Effective: June 20, 2013  
 Closing: June 30, 2018

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	654	130.07	306.93
Borrower	7	4.3	2.7
Co-financing	30	0	30
<b>Total Bank Financing</b>			
IDA	100	55.99	44.01
IBRD			
Trust Fund	517	69.78	230.22

### BACKGROUND AND OBJECTIVES:

The System Enhancement for Health Action in Transition (SEHAT) Project augments the progress achieved through the Strengthening Health Activities for Rural Poor project, and will support the implementation of the Basic Package of Health Services (BPHS) and Essential Package of Hospital Services (EPHS) through contracting arrangements in rural and urban areas covering all 34 provinces, including.

The objective is to expand the scope, quality and coverage of health services provided to the Afghan population, particularly to the poor in the project areas, and to enhance the stewardship functions of the Ministry of Public Health. The project components are:

- Component 1: Sustaining and improving the Basic Package of Health Services (BPHS) and Essential Package of Hospital Services (EPHS): Supports the implementation of the BPHS and EPHS through contracting arrangements between MOPH and NGOs in 31 provinces and MOPH Strengthening Mechanism (MOPH-SM) approach in three provinces and urban areas of Kabul city. This component also finances the contracting of NGOs for the implementation of HIV/AIDS prevention services for targeted population sub-groups in four cities.
- Component 2: Building the stewardship capacity of MOPH and system development: Finances development of the regular systems of MOPH at central and provincial level with focus on ten thematic areas: Sub-national governments, Healthcare Financing Directorate; developing regulatory systems and capacities to ensure quality pharmaceuticals; working with the private sector; Gender, enhancing capacity for improved hospital performance; human resources for health, governance and social accountability; health information systems and the use of information technology; health promotion and behavioral change; and fiduciary systems.
- Component 3: Strengthening program management Supports costs associated with support strengthening program management at central and provincial levels and technical assistance.

### KEY ACHIEVEMENTS:

Overall, the project is on track to achieve its project development objectives. Most of the Project Development Objective Indicators have achieved their target for 2016 or are on track to meet end of project targets. Some of the results achieved include:

- Increase in births attended by skilled health personnel among lowest income quintile from 15.6 percent to 35 percent;
- PENTA3 immunization coverage among children aged 12 to 23 months in lowest income quintile more than doubled, from 28.9 percent to 60 percent.
- Contraceptive prevalence rate (using any modern method) has increased from 19.5 percent to 30 percent.
- Score on the examining quality of care in SCs, BHCs and CHC on the balanced scorecard rose from 61 percent to 70 percent.

### KEY PARTNERS:

Ministry of Public Health, USAID and European Union.

## AFGHANISTAN: SAFETY NETS AND PENSIONS SUPPORT PROJECT

### KEY DATES:

Approved: October 15, 2009  
 Effective: February 10, 2010  
 Additional Financing: October 6, 2013  
 Closing: June 30, 2017

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	20	12.2	7.8
Borrower			
Co-financing			
Total Bank Financing	20	12.2	7.8
IDA	20	12.2	7.8
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

The Afghan formal social protection system consists largely of a pension scheme for public sector employees, military, police and a Martyrs and Disabled Pension Program. In addition, a social safety net encompasses a number of government and donor schemes that transfer cash and in-kind benefits to various groups.

In pensions (including the Public Pension and the Martyrs and Disabled programs), the Government's objectives are to ensure fiscal sustainability of the public pension program, to provide improved and streamlined services to the beneficiaries, modernize programs' administration, increase transparency, and reduce error, fraud, and corruption. In safety nets, the government aims to build systems for a poverty targeted national safety net program.

The project's goals are to improve the administration of the public pension schemes, and develop administrative systems for safety net interventions, with a focus on targeting and benefit payment delivery systems, while delivering cash benefits to the poorest families in specific pilot districts. Project Components are:

**Pensions:** Supports the design of new administrative arrangements for the public pension system and modernization of the existing pension systems, including the Martyrs and Disabled Pension.

**Safety Nets:** Supports designing and piloting of targeting and delivery systems to establish a poverty-targeted cash transfer;

### KEY ACHIEVEMENTS:

- Key elements of a reformed and modernized Public Sector Pension System, which includes a revised institutional and human resources structure of the Pension Department, a set of simplified business processes, a comprehensive new Management Information System, fiscal forecasting models for revenues and expenditures, and a new chart of accounts of the pension system, are in place. Recently, a bio-metric identification and verification system with one win-dow operation facility started working at the Central Pension Department in Kabul. Around seventy five thousand pensioners are registered at the new Management Information System (MIS) at the center and are paid through bank accounts. The MIS is rolled out to two provincial pension departments namely Balkh and Nangarhar.
- A multi-phased safety net cash transfer pilot has been designed, implemented and evaluated. In the new phase, a new targeting methodology of computer-ized registration of poor households in five districts and benefit payments through mobile money operators and commercial banks was successfully implemented. Around twelve thousand selected poor families (68,000 individuals) benefited from the cash benefits. The pilot project will deliver two more rounds of benefits to these families until June 2017.
- The pilot program over the past five years has provided support in cash transfers to over 28,000 poor and vulnerable families (around 148,000 individuals) in thirteen selected districts in ten provinces.

### KEY PARTNERS:

Afghan Ministry of Labor, Social Affairs, Martyrs and Disabled, UNICEF, World Food Program (WFP), UK's Department for International Development (DFID),



## AFGHANISTAN: POWER SYSTEM DEVELOPMENT PROJECT

### KEY DATES:

Approved: December 17, 2010  
 Effective: December 17, 2010  
 Closing: May 31, 2017

### FINANCING (IN MILLION US DOLLARS):

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA			
Government of			
ARTF	75	58	16
Total Project Cost	75	58	16

\*\$ millions; as of August 2016; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report (Cambria 9, italics; remember to hyperlink to project page)

### BACKGROUND AND OBJECTIVES:

The original project had three components: (i) distribution system rehabilitation - rehabilitation of the distribution system in Charikar, Gulbahar, and Jabul-es-Seraj (in Parwan province); and Pul-e-Khumri (in Baghlan province); (ii) rehabilitation of transmission switchyards at the Mahipar and Naghlu hydropower stations on the Kabul River; and (iii) institutional capacity building and project management – project implementation support to the Ministry of Energy and Water (MEW) and the recruitment/retention of a Project Management Firm (PMF).

Under the additional financing the implementation of components under the original project will be completed by covering the cost overrun, and by restructuring project implementation by components.

### KEY ACHIEVEMENTS:

- Since the additional financing became effective on 31 July 2015, the responsibility for the implementation of the Project was passed from the Ministry of Energy and Water (MEW) to Afghanistan's power utility Da Afghanistan Breshna Sherkat (DABS). The hand-over of management responsibilities between MEW and DABS is complete, but there are now delays in the ongoing distribution and switchyard contracts. The World Bank team and teams from MEW and DABS are collaborating to address the situation.
- 700 kilometers of Distribution lines have been constructed or rehabilitated under the project. An assessment of km installed under the two contracts of this component shows that about 12 percent more distribution lines were built than originally envisaged under the contract. Also, under institutional capacity building, energy efficiency and project management support are mostly complete.

### KEY PARTNERS:

Da Afghanistan Breshna Sherkat (DABS )

## AFGHANISTAN: KABUL MUNICIPAL DEVELOPMENT PROJECT

### KEY DATES:

Approved: March 26, 2014  
 Effective: April 11, 2014  
 Closing: December 31, 2019

### FINANCING (IN MILLION US DOLLARS)

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA			
Government of			
ARTF	110	28.29	81.71
Total Project Cost	110	28.29	81.71

\*\$ millions; as of August 2016; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report (Cambria 9, italics; remember to hyperlink to project page)

### BACKGROUND AND OBJECTIVES:

The KMDP Grant for US\$110 million was approved on April, 2014 and became effective on April 15, 2014. As of April 9, 2015, within one year of effectiveness, disbursements stand at US\$28.29million (25.45%). The PDOs remain highly relevant for Kabul, a city with over 70% of its population in unplanned settlements. KMDP's cost effective methodology enables equitable service delivery, strengthens the social capital of the beneficiary communities and continues to entrench a culture of community participation in decision making over public expenditures that directly impacts the community. The likelihood of achieving end-of-project as well as intermediate PDOs indicator targets is high. The PDO is rated "satisfactory".

The Project Development Objectives are to: (i) Increase access to basic municipal services in selected residential areas of Kabul city; (ii) Redesign KM's Financial Management system to support better service delivery; and (iii) Enable early response in the event of an eligible emergency.

### KEY ACHIEVEMENTS:

- Effective for just over a year, implementation of the KMDP Grant is progressing well, and it is expected to achieve the indicator targets at the project outcome level and at the intermediate level by the closing date.
- Grant disbursements stand at US\$28.29 million (25.45%) and KMDP commitments at US\$38.4 million (34.9%). By December 31, 2016, cumulative expenditures by KMDP within twenty months of effectiveness of the Grant are expected to be about US\$38.4million (about 34%).
- There are about 445,000 direct beneficiaries, 40 % of the target number, about half from upgrading and half from trunk roads. There are 156,111 indirect beneficiaries, including students, teachers and staff of several schools and institutions of higher education that are located within the upgraded areas. About 73 percent of the beneficiaries are women and children. 14,850 tree saplings have been planted in 29 gozars, used for urban communities, with community contributions; and community solid waste collection mechanisms are functioning in most of the gozars. The works executed have generated 1,119,190 man-days of temporary employment.

### KEY PARTNERS:

Kabul Municipality

## AFGHANISTAN: KABUL URBAN EFFICIENCY DEVELOPMENT PROJECT

### KEY DATES:

Approved: April 03, 2014  
Effective: April 11, 2014  
Closing: December 31, 2019

### FINANCING (IN MILLION US DOLLARS):

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA			
Government of			
ARTF	90.5	24.52	65.98
Total Project Cost	90.5	24.52	65.98

\*\$ millions; as of August 16, 2016; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report (Cam-bria 9, italics; remember to hyperlink to project page)

### BACKGROUND AND OBJECTIVES:

Unprecedented population growth in Kabul, large-scale destruction of the city's infrastructure during the war, followed by a growing concentration of security related activity has exacerbated the backlog of infrastructure deficiency in a city that harbors the capital functions of the country: A city originally planned for less than one million people, is now ranked 86th among the world's largest agglomerations. The capacity of the existing road network is diminished further by an astronomical growth in the number of motor vehicles that is today double the 300,000 vehicles the network was designed for. The result is extreme congestion which is further exacerbated by security related encroachments and road closures. Urban productivity of Kabul is deeply impacted by inadequate transport services: Although Kabul's existing urban road network, initially planned and developed in 1960s with technical support from the Former Soviet Union, provides generous widths, road surfaces have deteriorated due to age, poor maintenance, severe weather conditions, and the lack of proper drainage. 55 percent of the network is in need for rehabilitation. More than 61 percent of the urban population accesses their homes through unpaved roads. The result is poor access to jobs and services, low mobility of passenger and freight movement, congestion, increased road accident rates, and productivity losses.

The Project Development Objective (PDO) is to improve road conditions and traffic flows in selected corridors of Kabul City.

### KEY ACHIEVEMENTS:

- Initial activities including survey, design review and procurement of civil works started during the preparation of the project. As of August 15th, 2016, the implementation of the four NCB civil works contracts (Lot 1, 2, 3, & 4) is completed and the roads are opened to the traffic. The implementation progress for the ICB Lot 5 & 6 stands at 55%. The procurement process for Lot-7 is in the final stages of the bids evaluation. The procurement of Lot-8 (final lot) is planned to be started in the next 3 months. The design work for Wazir Abad canal is expected to be completed by December 2016.
- Under Component B, the consultancy for area accessibility and streets function optimization of Kabul city is under the final stages of the procurement review. The Terms of Reference (TOR) for the design and review of the 40 KM of new roads network is finalized and the roads are identified. The TOR for the Public Transport Demand study is prepared and ready for stakeholders' consultation.

### IMPLEMENTING AGENCY:

Kabul Municipality

### KEY PARTNERS:

Afghan Ministry of Finance

## AFGHANISTAN: DABS PLANNING AND CAPACITY SUPPORT PROJECT

### KEY DATES:

Approved: : 10 Feb 2016  
Effective: March 1, 2016  
Closing: June 30, 2020

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost			
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

The Afghan power system is small, fragmented and underdeveloped but demand is growing rapidly. Despite considerable progress in building power infrastructure over the last decade, the estimated grid-based electricity covers only about 20 - 25 percent of the population, mainly in the urban areas and along a few transmission corridors.

Da Afghanistan Breshna Sherkat (DABS), the state-owned power utility, lacks solid management, which led to overstaffing and under-qualification of staff; poor customer service; lacking billing and collection; and below cost-recovery tariffs

The project's development objective is to improve the capacity of DABS to plan and implement new investments, and to enhance operation and maintenance of the Afghan electricity distribution system. The Project has two components:

- DABS staff capacity building. The objective of this component is to support DABS' capacity to plan and implement new investments in distribution systems and to operate and maintain the investments properly.
- Training Center development. This component supports development of a training center in Kabul. Currently DABS does not have any training facility for its staff, and this has been identified as a critical gap in its overall capacity building efforts.

### KEY EXPECTED RESULTS:

- Distribution investment project(s) of a USD 50 million planned and prepared using new standards and designs based on good international practice adjusted for local conditions.
- Annual O&M plans for six major load centers prepared and implemented using new procedures based on good international practice adjusted for local conditions.
- 80 percent of DABS planning and O&M staff with improved skills through the project supported training and use of new training center.

### KEY PARTNERS:

DABS

## AFGHANISTAN: NAGHLU HYDROPOWER REHABILITATION PROJECT

### KEY DATES:

Approved: 14 Dec 2015  
 Effective: 24 January 2016  
 Closing: 30 Sep 2022

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	83	5	78
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund	83	<b>5</b>	<b>78</b>

### BACKGROUND AND OBJECTIVES:

Hydropower provides 94.6 percent of domestically generated electricity with an installed capacity of 254 MW. In mid-2015 there were 12 hydropower plants in Afghanistan, not counting the over 5,000 off-grid micro hydropower plants constructed under the National Solidarity Program (NSP). The two largest among those are Naghlu Hydropower Plant (NHPP) at 94 MW installed capacity and Mahipar Hydropower Plant at 66 MW installed capacity. The NHPP was first commissioned in 1967 and is located on the confluence of the Panjshir and Kabul Rivers in the Surobi District, Kabul Province, about 80 km east of Kabul. This project addresses critical rehabilitation needs at the Naghlu Plant

The project development objective (PDO) is to improve dam safety and to increase the supply of electricity at the Naghlu Hydropower Plant.

- Mechanical, Electrical, and Electromechanical Works. This component complements the rehabilitation of the electrical and electromechanical parts of the plant previously undertaken and ensures their sustainable operation.
- Dam Safety and Power Generation Improvement. This component aims to ensure the safe operation of the dam through dam safety audit and safety improvement measures as well as optimization of power generation.
- Environmental and Social Sustainability, Project Management Support, and Future Project Preparation. This component includes local development assistance in support of benefit sharing with local communities and support toward environmental and social management ensuring that the DABS receives advice on good international practices.

### KEY RESULTS EXPECTED:

- Improvement in the generation capacity (in MW) of Unit 1 in the NHPP
- Reduction in the total number of forced power outages in the NHPP
- Establishment of dam safety plans and periodic audits in accordance with international best practices
- Implementation of dam safety measures as recommended in dam safety audit reports
- Development of O&M procedures and guidelines that are in line with international best practices

### KEY PARTNERS:

DABS power utility

## AFGHANISTAN: TECHNICAL ASSISTANCE FACILITY

### KEY DATES:

Approved: June 29, 2016  
Effective: 01 July, 2016  
Closing: 30 June 2020

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost			
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund	5	0	5
DAB	0.03		

### PROJECT BACKGROUND:

As the Ministry of Finance (MoF) advances this structural reform agenda, its need for specialized knowledge support will grow. This is especially the case in the interim as MOF formulates specific reform plans, policies and strategies for which technical assistance needs become more acute and require the production of specific independent analysis. The purpose of the proposed Technical Assistance Facility is therefore to support MOF's reform planning. Specifically the TAF is required to support the implementation of the Five Year Plan for two Directorates General. The TAF is proposed to provide a flexible facility that allows MOF to quickly procure the necessary inputs including (but not limited to) skills, to support strengthened processes and substantive pieces of work contributing specifically to strengthening: (i) Macro Fiscal Policy Management; and (ii) Budget Planning.

The development objective is to strengthen the fiscal management and the budget planning performance of Government of Afghanistan.

- Supporting the Continuous Improvement of the Performance of the Macro Fiscal Performance Directorate General. This component is focused on strengthening MFPD's institutional capacity to effectively carry out its mandated activities.
- Supporting the Continuous Improvement of the Programs Implementation and Coordination General Directorate. This component is focused on strengthening the institutional capacity of PICGD to effectively carry out its mandated activities set out in detail in its Five Year Rolling Plan.

### KEY RESULTS EXPECTED:

- Development and implementation of medium term fiscal framework
- Development and implementation of forward estimates framework
- National budget allocation determined by National Development Strategy

### KEY PARTNERS:

Ministry of Finance



## IFC/F&M GP: ADVISORY –FINANCIAL INFRASTRUCTURE SECURED LENDING PROJECT (ACCESS TO FINANCE)

### KEY DATES:

Approved:  
Effective: November 30, 2008  
Closing: June 30, 2016

### FINANCING (IN MILLION US DOLLARS):

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA			
Government of			
ARTF	15	2.5	12.5
Total Project Cost	15	2.5	12.5

\*\$ millions; as of August 2016; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report (Cambria 9, italics; remember to hyperlink to project page)

### BACKGROUND AND OBJECTIVES:

It is widely acknowledged that Afghanistan's growth is constrained by the incidence of poverty, high illiteracy, and the lack of a skilled labor force. This proposed project directly links literacy and skills development by designing interventions that improve access to skills for illiterate and unskilled young Afghan men and women. The project will incentivize non-formal training providers to provide quality training to Afghan men and women and increase their job placement rates. Subsequently, the project shall promote entrepreneurship among youth to help improve their welfare status.

To increase the potential for employment and higher earnings of targeted young Afghan women and men in rural and semi-urban areas through non-formal skills training"

- Improving the Quality of Non-formal Training and the Labor Market Outcomes of Trainees
- Project Management, Capacity Building of MOLSAMD and M&E. Strengthening the capacity of NSDP/MOLSAMD for project implementation and monitoring

Piloting unskilled Entrepreneurship among Unskilled and Illiterate young Afghans. Many young Afghans, and illiterate are unprepared to compete in the labor market

### KEY ACHIEVEMENTS:

- 250 Training Providers' (TPs) applications have been received and reviewed. Request for Proposals were sent to 140 TPs who passed the initial step and 80 proposals were received. The selection process and timeline were presented and approved by the Deputy Minister. To date 70 TPs have passed and are due to sign MoUs with MoLSAMD. A study will be conducted to trace graduates and their employment status. 673 Vocational Trainers received ToT training on NOSS utilization, learning materials development and training delivery. 57,459 trainees have been selected, of which 35,031 are male and 22,428 (39%) are female.
- Data collection tools and methodology have been developed and 34 Labor Market Information data collection supervisors have been dispatched to various provinces. LMIA Database Development is underway and 4 Web-based applications for Employment Service Centers have been completed (job seekers registration database, employers registration database, job seekers training & capacity building database, and job-placement database).

### KEY PARTNERS:

Ministry of Labor, Social Affairs, Martyrs and Disabled (MoLSAMD)

## AFGHANISTAN: IFC/F&M GP: FINANCIAL INFRASTRUCTURE SECURED LENDING PROJECT (ACCESS TO FINANCE)

### KEY DATES:

Approved:  
Effective: November 30, 2008  
Closing: June 30, 2016

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	0.97		
Harakat Grant	0.29		
Japan	0.07		
The Netherlands (NIPP)	0.02		
Total Bank Financing			
IFC Pool Funds	0.21		
SME Facility	0.35		
DAB	0.03		

### BACKGROUND AND OBJECTIVES:

The Afghanistan Secured Lending Project is part of the Financial Infrastructure Program in the MENA region. IFC's access to finance advisory services in the MENA region, through its Secured Transactions and Collateral Registries Team, assists government clients in developing the appropriate legal and institutional frame-works to allow and encourage the use of movable assets as collateral for loans.

At inception of the project, the results from the Doing Business ranking on the Ease of Getting Credit, a measure of credit information sharing and legal rights of borrowers and lenders, showed that the financial sector in Afghanistan was not able to meet the needs of small firms or individuals – Afghanistan ranked 179th out of 181 countries in 2009.

The overall objective of the project is to achieve sustained development of the financial sector by increasing private sector access to finance, particularly credit, in the MENA region, by strengthening lender rights in movable assets.

In Afghanistan, the project operates under three components: a) legislative reform resulting in enactment or amendment of laws and regulations to enhance rights of creditors of movable assets; b) creation of a functioning movable asset registry to enable lenders to effectively file a notice related to their proprietary rights, and c) awareness raising and capacity building activities to increase knowledge among stakeholders about the benefits of well-functioning secured financing systems.

The overall program targets are to benefit 250 micro, small and medium enterprises with expanded access to finance, facilitate \$13 million in financing to small and medium enterprises (secured with movable property as collateral) and an overall \$30 million in financing facilitated.

### KEY ACHIEVEMENTS:

- Two new pieces of legislation: an act on secured transactions in movable property and the regulation for operating the registry were adopted.
- Collateral Registry established in 2013 with 3869 new registrations as at May 2015.
- Improvements in the ranking of Afghanistan from '0' to '9' on the "Strength of Legal Rights Index" a subset of the "Ease of Getting Credit" ranking of Doing Business in 2015. Further in 2015, Afghanistan was ranked 89th out of 189 countries on the Doing Business "Ease of Getting Credit" ranking
- Establishment of the Afghanistan Institute of Banking and Finance in November 2010.

### KEY PARTNERS:

Da Afghanistan Bank, Harakat

## AFGHANISTAN IFC: AFGHANISTAN INTERNATIONAL BANK

### KEY DATES:

Approved: June,2009  
 Effective:  
 Closing:

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost			
Borrower			
Co-finance			
Total Bank Financing			
IFC (Guarantee)	1.5		(Outstanding) 0.92
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

Afghanistan International Bank ("AIB" or the "Bank") has Asian Development Bank (ADB) and two Afghan private sector business groups, namely Horizon Associates LLC (HA) and Wilton Holdings Ltd. (WHL) as shareholders with ownership of 7.5 percent, 46.25 percent and 46.25 percent respectively. The bank was founded in March 2004 and is present in the major cities of Afghanistan through its network of 32 branches. It has roughly a 22 percent share in the total assets of the banking sector, and was the first bank to commence ATM services and introduce international debit card services in Afghanistan.

AIB focuses its lending efforts on Corporate and the Small and Medium Sized Enterprises (SME) mostly in construction ( 31 percent) and fuel supply (31 percent) segments. In 2012, AIB acquired Standard Chartered Bank's (SCB) retail business in Afghanistan comprising one branch, nine ATMs and gross assets of \$229m. As of June 2015, the Bank has 33 branches, 2 cash outlets and employs about 680 staff members.

To contribute to the reconstruction and economic development of Afghanistan by providing financing to small and medium sized businesses, which are at the forefront of job creation in the fledgling economy.

To develop the financial sector by providing basic financial services currently not available in the market. The project was expected to contribute to overall financial sector reform by setting best-practice standards and supporting the authorities in developing the evolving legal and regulatory framework.

### KEY ACHIEVEMENTS:

- AIB has made a substantial development impact evident from its market-leader position in the banking sector of Afghanistan and ranks number 1 in terms of assets.
- The Bank is also regarded highly in the sector through its financial performance characterized by a relatively sound asset quality despite the tough operating and macroeconomic environment.
- Results as of August 2016:
  - Net Loan Portfolio - \$ 71 million
  - No. of borrowers – 83 Corporate/SME loans, 179 Consumer/Pay-roll loans, 537 Credit Cards and 18 loans for small businesses.
  - Total Deposits – \$ 860 million,
  - No. of depositors – 116,569
  - Employees – 680 , No. of branches – 33, Cash outlets – 2

### KEY PARTNERS:

Asian Development Bank (ADB), Wilton Holdings Ltd (WHL) and Horizon Associates LLC (HA).

## AFGHANISTAN IFC: BUSINESS EDGE—FAST AFGHANISTAN PHASE-2

### KEY DATES:

Approved:  
Effective: April 01, 2013  
Closing: June 30, 2016

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	1,145,000		
Borrower			
DFID Grant	544,750	529,957	14,793
Total Bank Financing			
IDA			
IBRD			
Client Cash fee	25,000	20,086	4,914
Trust Fund	86,000	77,530	8,470

### BACKGROUND AND OBJECTIVES:

The private sector in Afghanistan still lacks a sufficient level of capacity and understanding of good business skills and practices.

This lack of knowledge affects the ability of the private sector to grow or to export which in turn affects economic growth. The business development services (BDS)/ management skills training market, while having improved its capacity to deliver high quality training using material customized to the local business environment, is still underdeveloped and requires further assistance to enable it to orient itself towards the private sector and its training needs.

IFC has been contributing to the development of management capacity in both the public and private sector with its Business Edge (DFID funded) management training program for the past four years (September 2008 to March 2013).

The overall goal of the project is to enhance the business performance and increase the revenue of micro, small and medium enterprises (MSMEs) by developing their managerial capacities using IFC's Business Edge (BE) product.

The project will build the capacity of local training providers to deliver BE management training to 5,200 individuals (of which 1,820 are women) reaching 520 MSMEs.

Approximately 77 percent of the targets (4,000 individuals trained) will be reached by project completion (June 30, 2016) and 23 percent of targets (1,200) will be reached within three years of post-project completion (by June 30, 2019).

### KEY ACHIEVEMENTS:

- From inception in September 2008 to June 30, 2015, the project has delivered training to 9,056 people including 3,935 (43 percent) women and reached 801 MSMEs. The impact assessment indicated that 91 percent of the private sector respondents expressed a positive impact of the BE training on company performance.
- Under the current project, since April 1, 2013 to June 2015, the project has delivered training to 5,604 people including 2,724 (48.6 percent) women and reached 547 MSMEs. In 2014, two impact assessment surveys were conducted to determine the impact of BE training on unemployed individuals and impact of Business Thematic Radio programs sponsored by IFC on businesses.
- Results show:
  - 68 percent of the trained individuals stated that the training helped them in getting jobs;
  - 8 percent individuals reported that the training helped them in setting up their own businesses.
  - Of the 608 respondents surveyed, 76 percent individual employed the skills and ideas acquired from the radio programs and most of them reported positive impact of the programs on their businesses.

### KEY PARTNERS:

Advanced Business Consulting (ABC), Kawayan Business Development Services (KBDS), BRAC Afghanistan, Afghan Business Capacity Development (ABCD) Consultants, Afghanistan Institute of Banking and Finance (AIBF), Afghanistan Holding Group, Oriental Consultants, Women Star Consultancy, UK's Department for International Development (DFID)

## AFGHANISTAN: IFC/T&C GP: CONSTRUCTION PERMIT REFORM PROJECT

### KEY DATES:

Approved:  
Effective: May 2014  
Closing: September 2016

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost			
Borrower			
USAID	1.05		
Total Bank Financing			
IDA			
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

The Afghanistan Construction Permits Reform Project, launched in May 2014, aims to support the Afghan government as it revamps the way construction permits are issued across the country. IFC will help officials simplify the often time-consuming permitting process and advise the government as it develops new permitting laws. The changes, planned for the provinces at the national and subnational levels, are designed to spur the growth of Afghanistan's construction sector, a vital part of the country's economy. That, in turn, is expected to increase the supply of affordable housing at a time when the demand for new homes is growing quickly. The project is part of a wider IFC effort to help diversify Afghanistan's economy and spur growth across the nation.

The objective of this project is to develop a simplified yet effective construction permit system and regulatory framework that will improve the government's efficiency and capacity to issue construction permits. By doing so, the private sector will benefit from reduced costs through the easing of permitting bottlenecks, which hamper the ability of the growing housing sector in Afghanistan to meet demand.

The new framework will also allow the government to retroactively formalize unpermitted buildings. The project aims to reduce the time it takes to obtain construction permits from the current 334 days to 180 days; reduce the number of procedures from 15 to nine; and improve the capacity of civil servants operating the process.

Changes are expected to increase both the efficiency and capacity of the Kabul Municipality to issue construction permits and, hence, increase applications under the reformed permits system by 40 percent.

### KEY ACHIEVEMENTS:

- Implementation of the legal and regulatory recommended procedures has started which paves the way for the improved CP process as well as ensuring the health and safety of various structures built within the limits set by the Kabul City Master Plan.
- The time for obtaining Construction Permits in Kabul Municipality was reduced for residential permits from 52 to 6 steps and for commercial high rise buildings from 122 steps to 16. The Construction Permit processes have been streamlined.
- Kabul Municipality staff members at technical and managerial levels completed a tailor made training program.
- The project completed the CP software customization and launched it online on August 2016. The new web-based online system allows the private sector to obtain the permits online for the first time in Afghanistan. A wide-scale awareness raising campaign on improved Construction Permit process has been completed.

### KEY PARTNERS:

Kabul Municipality, United States Agency for International Development (USAID)

## AFGHANISTAN: IFC : INVESTMENT-ROSHAN

### KEY DATES:

Approved: January 17, 2013  
 Effective: February 14, 2013  
 Closing:

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	65	65	
Borrower			
Co-financing			
Total Bank Financing	65	65	
IFC (Lending)	65	65	
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

Founded in 2003, Roshan is the leading local mobile operator in Afghanistan with an estimated 27 percent mobile market share and 5.6 million subscribers as of March 2013. The company currently reaches 230 cities and towns in all of Afghanistan's 34 provinces and covers approximately 62 percent of the population.

In mid-2012, Roshan approached IFC to finance: (i) the acquisition of its 3G license; (ii) the capital expenditures to roll-out the 3G network and improve the 2G network; and (iii) consolidation of its existing loans into a single loan and extending its maturity.

The overall objective of the project is to increase the supply of fresh and processed fruits, through improved compliance with market standards, and integration of farmers into the value chain of at least one lead agribusiness firms, giving them access to wider market opportunities. The project will initially start its activities in Kandahar building on the success of the previous project, while assessing the potential of expanding to other provinces in Afghanistan.

#### Brief Component Description:

- Extension workers association. This component is aimed to set up and roll out a Sustainable business model for a lead firm to obtain sustainable supply of fruits from smallholder farmers by development of business relationship with extension workers.
- Farmer Technical Assistance aimed to improve the capacity of 1,000 farmers in fruit production, harvest and post-harvest handling and are integrated the farmers into the lead firm's supply chain (through contract farming agreement between farmer producer groups and lead firm)
- Lead firm contract farming and trade facilitation. This component is aimed to support a Lead firm in implementation of the contract farming system with farmers in their supply chain as well as established an overseas Marketing Agent for export market expansion

#### KEY EXPECTED RESULTS:

- Through the established network of extension workers in Kandahar, provide technical assistance to 1,000 farmers and integrate them into lead firms' supply chain. By completion, at least 800 farmers are expected to adopt improved practices and comply with market standards.
- Through improved compliance with market standards at the farmer level, increase the volume and value of fruits sold to lead firms. By completion, benefitting farmers are expected to sell a cumulative volume of 9.6 million kg of fruit totaling a value of \$5.06 million to lead firms.
- Through supporting lead firms to access new markets and obtaining at least four new contracts with new buyers, generate a total of \$2.05 million additional net profit from the export of fresh and processed fruit by completion.

#### KEY PARTNERS:

- AKFED: A for-profit international development agency which makes long-term investments in developing countries.
- Monaco Telecom: The main telecommunication company in Monaco, with operations in Maldives, Channel Islands, Isle of Man and islands in the Indian and Atlantic Oceans.
- TeliaSonera: A leading telecommunications operator in the Nordic and Baltic regions with 172 million subscribers.



## AFGHANISTAN: IFC - STRENGTHENING AFGHANISTAN HORTICULTURE EXPORTS PROJECT

### KEY DATES:

Approved:  
Effective: October 1, 2014  
Closing: April 30, 2018

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	1.1		
Borrower	0.1		
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (Japan)	1.1		

### BACKGROUND AND OBJECTIVES:

This project builds on the success of a previous successful IFC intervention in the horticulture sector, Afghanistan Horticulture Exports Development, which helped farmers to adopt best agriculture practices for two major export commodities (raisins and pomegranates).

The project will focus on improving farmers' skills and expanding market opportunities for Afghan agriculture commodities through improving access to export markets, and strengthening the overall value chain, including processing opportunities for grade B fruits.

The project will reach out to farmers located in remote locations, leveraging the skills of the extension workers association established and trained in the previous project. These farmers will be integrated into the supply chain of large fruit exporting and processing firms in Afghanistan. Meanwhile, these lead agribusinesses will be supported in becoming compliant with global standards required for access to high-end markets for food products.

The overall objective of the project is to increase the supply of fresh and processed fruits, through improved compliance with market standards, and integration of farmers into the value chain of lead agribusiness firms, giving them access to wider market opportunities.

The project will initially start its activities in Kandahar province, building on the success of the previous project, while assessing the potential of expanding to other provinces in Afghanistan. Components include:

Extension workers association aimed to set up and roll out a Sustainable business model for a lead firm to obtain sustainable supply of fruits from smallholder farmers by development of business relationship with extension workers.

Farmer Technical Assistance aimed to improve the capacity of 1,000 farmers in fruit production, harvest and post-harvest handling and are integrated the farmers into the lead firm's supply chain (through contract farming agreement between farmer producer groups and lead firm)

Lead firm contract farming and trade facilitation aimed to support a Lead firm in implementation of the contract farming system with farmers in their supply chain as well as established an overseas Marketing Agent for export market expansion.

### KEY EXPECTED RESULTS:

- Through the established network of extension workers in Kandahar, provide technical assistance to 1,000 farmers and integrate them into lead firms' supply chain. By completion, at least 800 farmers are expected to adopt improved practices and comply with market standards.
- Through improved compliance with market standards at the farmer level, increase the volume and value of fruits sold to lead firms. By completion, benefitting farmers are expected to sell a cumulative volume of 9.6 million kg of fruit totaling a value of \$5.06 million to lead firms.
- Through supporting lead firms to access new markets and obtaining at least four new contracts with new buyers, generate a total of \$2.05 million additional net profit from the export of fresh and processed fruit by completion.

### KEY PARTNERS:

Large fruit processing companies in Afghanistan, the Extension Workers Association, local NGOs, organizations engaged in supporting the agribusiness sector in Afghanistan, and potential global buyers (IFC and non-IFC investment clients).

## AFGHANISTAN IFC: BUSINESS EDGE—FAST AFGHANISTAN PHASE-2

### KEY DATES:

Approved:  
Effective: April 01, 2013  
Closing: September 2016

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	1,145,000		
Borrower			
DFID Grant	544,750	529,957	14,793
Total Bank Financing			
IDA			
IBRD			
Client Cash fee	25,000	20,086	4,914
Trust Fund	86,000	77,530	8,470

### BACKGROUND AND OBJECTIVES:

The private sector in Afghanistan still lacks a sufficient level of capacity and understanding of good business skills and practices.

This lack of knowledge affects the ability of the private sector to grow or to export which in turn affects economic growth. The business development services (BDS)/ management skills training market, while having improved its capacity to deliver high quality training using material customized to the local business environment, is still underdeveloped and requires further assistance to enable it to orient itself towards the private sector and its training needs.

IFC has been contributing to the development of management capacity in both the public and private sector with its Business Edge (DFID funded) management training program for the past four years (September 2008 to March 2013).

The overall goal of the project is to enhance the business performance and increase the revenue of micro, small and medium enterprises (MSMEs) by developing their managerial capacities using IFC's Business Edge (BE) product.

The project will build the capacity of local training providers to deliver BE management training to 5,200 individuals (of which 1,820 are women) reaching 520 MSMEs.

Approximately 77 percent of the targets (4,000 individuals trained) will be reached by project completion (June 30, 2016) and 23 percent of targets (1,200) will be reached within three years of post-project completion (by June 30, 2019).

### KEY ACHIEVEMENTS:

- From inception in September 2008 to June 30, 2015, the project has delivered training to 9,056 people including 3,935 (43 percent) women and reached 801 MSMEs. The impact assessment indicated that 91 percent of the private sector respondents expressed a positive impact of the BE training on company performance.
- Under the current project, since April 1, 2013 to June 2015, the project has delivered training to 5,604 people including 2,724 (48.6 percent) women and reached 547 MSMEs. In 2014, two impact assessment surveys were conducted to determine the impact of BE training on unemployed individuals and impact of Business Thematic Radio programs sponsored by IFC on businesses.

Results show:

- 68 percent of the trained individuals stated that the training helped them in getting jobs;
- 8 percent individuals reported that the training helped them in setting up their own businesses.
- Of the 608 respondents surveyed, 76 percent individual employed the skills and ideas acquired from the radio programs and most of them reported positive impact of the programs on their businesses.

### KEY PARTNERS:

Advanced Business Consulting (ABC), Kawayan Business Development Services (KBDS), BRAC Afghanistan, Afghan Business Capacity Development (ABCD) Consultants, Afghanistan Institute of Banking and Finance (AIBF), Afghanistan Holding Group, Oriental Consultants, Women Star Consultancy, UK's Department for International Development (DFID)

## AFGHANISTAN MIGA: MIDO DAIRY PRODUCTION COMPANY

### KEY DATES:

Approved:  
Effective: October 29, 2013  
Closing:

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost			
Borrower			
Co-financing			
Total Bank Financing			
MIGA (Equity)	1.82		
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

Dairy products are a major source of protein in Afghanistan. However, the dairy sector was largely destroyed during the Afghan civil war and has yet to fully recover. Imported dairy products have gained the majority of the market share in large metropolitan areas including Kabul.

Supporting the livestock and local dairy industries has been a priority for the Afghan government as well as international development organizations. However, domestic producers continue to find it difficult to compete with imported products in terms of both quality and quantity.

The MIGA guarantee of €1.34 million to investors in Mido Dairy Production Co covers direct equity against the risks of Transfer Restriction, Expropriation and War and Civil Disturbance for up to 10 years.

From both the country and sector perspectives, MIGA is playing an important role in facilitating private investment to promote the technical know-how and investment needed to develop this sector in a conflict-affected country.

The project entails the establishment of a joint venture company in Afghanistan, Mido Dairy Production Co ('MIDO' or 'the Company') with a dairy processing plant, located in the suburbs of Kabul, which will produce and distribute high-quality dairy products such as milk and yogurt, primarily to Kabul.

### KEY EXPECTED RESULTS:

- The generation of 20-25 new permanent jobs.
- €1.2 million over the 7 years of operation in taxes and fees.
- 27.9 percent economic rate of return.

### KEY PARTNERS:

Mido Dairy Production Co.

## AFGHANISTAN MIGA: TRAITEX INDUSTRY

### KEY DATES:

Approved: June 26, 2013

Effective: June 28, 2013

Closing:

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	2.15		
Borrower			
Shareholder loan	0.825		
Total Bank Financing	1.325		
IDA			
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

The aim is to boost the production of cashmere. Currently Afghanistan exports around 1,000 metric tons (MT) of cashmere on an annual basis. The main trade center is Herat, where a handful of exporters gather to purchase the cashmere from farmers.

The project was initially supported by the Afghanistan Small and Medium Enterprise Development program, funded by USAID. In 2011, this program provided funding to Traitex Belgium ("Traitex") and Cashmere Fibres International ("CFI"), the largest dehaier of Afghan cashmere, to set up operations in Afghanistan in order to increase the value-added within the country and to promote the development of the sector.

Traitex, based in Verviers, Belgium, is an independent processing company that scours and carbonizes wool and cashmere. In June 2013, MIGA issued a guarantee of \$1.7 million to Traitex to cover equity and shareholder loans provided to Traitex Afghanistan against the risks of Transfer Restriction, Expropriation, and War and Civil Disturbance for a period of up to 10 years. MIGA also provided a guarantee of \$308,750 to Sodintec, a third party investor in Traitex Afghanistan, for the same tenor and against the same risks.

From both the country and sector perspectives, MIGA is playing an important role in facilitating private investment to promote the technical know-how and investment needed to develop this sector in a conflict-affected country.

### KEY ACHIEVEMENTS:

- Generation of 35 permanent jobs directly, as well as supporting many hundreds of cashmere farmers indirectly.
- Generating \$35,000 in taxes and fees annually.
- Achieving a 20.6 percent economic rate of return.

### KEY PARTNERS:

Traitex Industry

## AFGHANISTAN: IFC - INVESTMENT AND MIGA - MTN GROUP

### KEY DATES:

Approved: June 2, 2011  
Signed: July 7, 2011

### FINANCE MIGA GUARANTEE (MILLION US DOLLARS):

	Amount	Fiscal Year
<b>Equity</b>	\$114	2011
<b>Shareholder loan</b>	\$42.6	2011

### IFC KEY DATES:

Approved: June 23, 2006  
Signed: June 30, 2006/June 19, 2009

### IFC INVESTMENT (MILLION US DOLLARS):

	Amount	Fiscal Year	Exited Investment/Loan Rapid
<b>Equity</b>	13.5	2009/10	2013
<b>Shareholder loan Equity</b>	65.0	2011	Sept 2015

### BACKGROUND AND OBJECTIVES:

In 2002, following decades of armed conflict, Afghanistan had a barely functioning and severely limited communications network. In early 2007, IFC and MIGA made a commitment to provide support directly to the most recent (third) mobile operator, MTN Group (then Areeba Afghanistan). IFC initially made an investment commitment in Areeba Afghanistan in 2006, which was later replaced by a larger investment facility to MTN Afghanistan comprising an equity investment of \$13.5 million and senior debt of \$65 million in order to finance the expansion of MTN's operations. MIGA initially issued a guarantee of \$74.5 million to cover the direct equity investment of \$85 million in Afghanistan. The coverage was for 15 years against two risks: i) transfer and convertibility re-striction, and ii) expropriation. The Afghanistan Investment Guarantee Facility (AIGF), managed by MIGA, provided \$2 million of first loss. In 2011, when MTN Group expanded its network, MIGA increased its coverage by \$82.1m. This brought MIGA's total gross coverage to \$156.6 million, in addition to the \$2 million layer provided by AIGF. IFC exited its equity investment in July 2013 and the debt will be fully repaid in September 2015. In June 2016, the MIGA contracts guaranteeing the shareholder loans expired without renewal.

From both a country and sector perspective, MIGA and IFC are playing an important role in facilitating south-south investment to promote the expansion of telecommunications infrastructure in a conflict-affected country, increasing the availability and affordability of communication services in Afghanistan. Furthermore, IFC's investment has been supporting the expansion of telecom services into semi-urban and rural areas of Afghanistan. MIGA can mobilize additional capacity in the private insurance market through its reinsurance arrangements. MIGA's establishment of the AIGF, a first loss fund, with the help of other donor countries, has helped bring down the risk of the transaction, making it more attractive for the private reinsurance market.

### KEY ACHIEVEMENTS:

- With MIGA guarantee coverage and IFC's investment and advisory support, MTN has been able to exceed expectations and reach over five million subscribers, close to a one-third market share.

### KEY PARTNERS:

Afghanistan Investment Guarantee Facility (AIGF) – MIGA

## AFGHANISTAN: IFC/T&C GP: INVESTMENT CLIMATE – SUB NATIONAL DOING BUSINESS STUDY

### KEY DATES:

Approved:  
Effective: July 2015  
Closing: June 2019

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost			
Borrower			
USAID	2.3 Million		
Total Bank Financing			
IDA			
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

The formal sector in Afghanistan is still in a formative stage, since the reopening of the economy to international business in 2002-2003. The economy is dominated by informal enterprises. Registered firms are young and small: half of them have been operating for 4 years or less, and 91 percent of them have a maximum of 5 employees. Economic growth is estimated to have fallen to 2 percent in 2014, from 3.7 percent in 2013 and an average of 9 percent during 2003-12; the growth outlook for 2015 remains weak. Some of the major challenges that Afghanistan faces in the immediate and medium term are: restoring confidence and creating private-sector jobs; and strengthening cohesion and service delivery.

This project will cover the measurement of 4 Doing Business indicators that are actionable at the local level and where subnational differences are likely to occur: starting a business, dealing with construction permits, registering property and getting electricity. Even in countries characterized by centralized public sector like Afghanistan, these areas show subnational differences at the regulatory level and/or in how the national regulations are implemented in practice. The benchmarking will include 4 of the largest cities in addition to Kabul that serve as regional economic centers: Herat, Mazar e-Sharif, Kandahar, Jalalabad, Kabul.

The objective of the project is to support the Government of Afghanistan to advance regulatory reforms at the subnational level to foster a better business-enabling regulatory environment across the country. It will do so by producing a Subnational Doing Business (SNDB) report which benchmarks business regulations and their implementation on 4 key Doing Business indicators (Starting a business, Registering property, Dealing with construction permits and Getting electricity) across 4 municipalities (Herat, Mazar e-Sharif, Kandahar, Jalalabad) as well as Kabul.

The report: (i) allows comparability among municipalities in Afghanistan and with 189 economies worldwide; (ii) identifies regulatory constraints in detail and highlights good practices; (iii) provides in-depth analysis and detailed policy recommendations on how to improve the areas measured; (iv) promotes peer to peer learning through the sharing of good practices; (v) and motivates governments to reform by repeating the measurement over time. A 2nd round of Subnational Doing Business benchmarking starting in 2018, will update the measurements and document the reforms undertaken, which were motivated by the first benchmarking round in each of the cities. It will also provide further reform recommendations.

### KEY ACHIEVEMENTS:

- Conducted a scoping mission in Kabul in May 2015, to present the project to the National Government authorities and to identify private sector professionals and local consulting firms to organize the data collection process.
- Completed the selection and contractual arrangements with the coordinating firm in charge of supporting the data collection.
- Trained staff from the coordinating firm on the indicators methodology.
- Completed the first stage of the data collection, which included distribution of questionnaires (to the private and public sector), interviews and desk researches.
- Held the "Right of Reply" meetings in Kabul (April 2016) with local government officials and relevant agencies to discuss the preliminary findings of the project with the competent local authorities of the 4 cities measured on a confidential basis.

### KEY PARTNERS:

Afghanistan Chamber of Commerce and Industry, Independent Directorate for Local Governance, Afghanistan Investment Support Agency, Da Afghanistan Bresh-nakat (DABS) and United States Agency for International Development (USAID)

## AFGHANISTAN: IFC/T&C GP: INVESTMENT CLIMATE – BUSINESS REGISTRATION AND LICENSING REFORM PHASE

### KEY DATES:

Approved:  
Effective: July 2015  
Closing: June 2017

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost			
Borrower			
USAID	2 Million		
Total Bank Financing			
IDA			
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

The World Bank Group, fosters sustainable economic growth in developing countries by providing advisory services to businesses and governments aimed at specific aspects of private sector development, including supporting small and medium-sized enterprises, enhancing access to finance, improving the business enabling environment, supporting privatization and public-private partnerships and promoting environmental and social sustainable practices. Advisory services are delivered through the Trade and Competitiveness Global Practice in South Asia Region (SAR).

An analysis conducted by IFC Advisory in December 2013 revealed that starting a business at the subnational level is a very complex, unwieldy and time-consuming process and is a severe impediment to investment at the subnational level. This analysis recommended a fundamental rethinking of the strict system of starting a business enforced by the Ministry of Commerce and Industry (MoCI) at the subnational level. Evidence collected from interviews with business managers at the subnational level, as well as with MoCI officials, indicated that the procedures for obtaining a business license and registration required a minimum of several weeks, and might extend to a few months. This is significantly slower than the 2 – 3 days currently required to complete the same process in Kabul.

Building on the reforms achieved in phase I of Afghanistan Licensing Reform Project, the overall goal of Phase II is to support the Ministry of Commerce and Industry in promoting an investment climate conducive to private sector growth. The projects aims to achieve the following objectives by project completion:

- Business Registration and Licensing including establishing further streamlined processes and successfully rolling out the business registration and licensing reforms conducted in Kabul to MoCI offices at the provincial level in light of international best practices.
- Renewal of Business Licensing through increasing efficiency and sustainability for the renewal process of business licensing in the MoF, and increasing the number of firms that benefit from reformed licensing requirements as measured by the number of renewed licenses by 20% (3 years post project completion).

### KEY ACHIEVEMENTS:

- Four-day study tour for the Senior Management of MoCI and ACBRIP in Tbilisi, Georgia to visit the key agencies in Georgia that have successfully implemented the key reforms and understand how Georgia was able to tackle similar political and social challenges.
- Signing Memorandum of Understanding with Ministry of Commerce and Industry to have the MOCI full commitment for the project deliverables and ensure the project sustainability.
- Completion of the Assessment Stage of the Project to have detailed Process Analysis of 16 provinces, based on which the next two stages of the Project will be executed.
- Completion of the ICT Infrastructure and Capacity Survey for the ACBRIP's Central Office (Kabul) and provincial offices in cooperation between NETLINKS LTD, the staff of the MOCI, and other involved entities.
- Documented the history and evolution of the Afghan Central Business Registry since 2008 in line with international good practice as well as the future goals and potentials of the Registry. As result of the report the Government of Afghanistan assigned a high level commission that includes Ministry of Finance, Ministry of Commerce and Afghanistan Investment Support Agency to come up with a strategic merger plan for the AISA and MOCI-ACBRIP business licenses that will be issued under One Stop Shop.

### KEY PARTNERS:

Ministry of Commerce and Industry, United States Agency for International Development (USAID).



## AFGHANISTAN: IFC – FIRST MICROFINANCE BANK (FMFB)

### KEY DATES:

Approved: October 31, 2002  
 Effective: January 16, 2004  
 Closing:

### FINANCING (IN MILLION US DOLLARS):

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost			
Borrower			
Co-financing			
Total Bank Financing			
IFC (Equity)	1.96		
IBRD			
Trust Fund			

### BACKGROUND AND OBJECTIVES:

First Microfinance Bank Afghanistan ("FMFB-A" or the "Bank") was founded in 2003, and it was the first bank to be licensed in Afghanistan under the new law. It was founded by the Aga Khan Fund for Economic Development ("AKFED") and subsequently both IFC and KfW became shareholders, while the Aga Khan Agency for Micro-finance ("AKAM") replaced AKFED as the principal shareholder & Sponsor of the Bank. FMFB-A commenced business in May 2004 in Kabul and it is regulated by the Central Bank (Da Afghanistan Bank, "DAB"). FMFB-A offers micro loans, SME loans and deposit taking solutions to micro entrepreneurs in Afghanistan's urban and rural areas and stands as the largest regulated microfinance lender in the country.

IFC's involvement with FMFB-A commenced in 2002, with an original equity investment of \$1.0 million for a stake of 16.7 percent. During 2012, IFC participated in the Bank's rights issue subscription (amounting to \$ 6.8 million) on a prorata basis to the tune of \$ 1.1 million. During this rights issue subscription, AKAM has brought in its sister agency the Aga Khan Foundation-US ("AKF-US") as shareholder in the Bank. As a result, the shareholding of the Bank is now changed, with AKAM holding a 39.2 percent stake, KfW at 32.3 percent, IFC at 16.7 percent & AKF-US holding a 11.8 percent share in the Bank.

(i) To create the first commercially sustainable micro-finance institution in Afghanistan contributing to the development of micro-finance as a viable and attractive commercial activity, and providing financial services to the poor and underserved.

(ii) To contribute to the reconstruction and economic development of Afghanistan by providing financing to the most dynamic sector of the fledgling economy - micro and small businesses.

(iii) To develop the financial sector by providing basic financial services currently not available in the market. The project is expected to contribute to overall financial sector reform by giving an example of a best-practice institution and supporting the Interim Authority in developing the evolving legal and regulatory framework.

### KEY RESULTS EXPECTED:

FMFB-A has had a big impact on development as the leading microfinance bank in Afghanistan. The Bank is known for its solid financial performance and improving profitability backed by a growing loan book & sound asset quality despite operating in a tough macroeconomic and fragile security environment. It has developed and implemented an E&S system which allows it to screen its portfolio and provide lending on a social and environmentally responsible basis.

As of March 31, 2015:

- Net Loan Portfolio - \$ 60.8 million
- No. of borrowers - 54,599
- Total Deposits - \$ 67.3 million, No. of saving accounts - 75,879
- Employees 1,029, No. of main branches - 38, including 9 sub-branches.

### KEY PARTNERS:

Aga Khan Agency for Microfinance, KfW and Aga Khan Foundation -US





