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Report No: PAD2858

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 17.90 MILLION
(US\$ 25 MILLION EQUIVALENT)

AND

A PROPOSED GRANT

FROM THE AFGHANISTAN RECONSTRUCTION TRUST FUND
IN THE AMOUNT OF US\$ 75 MILLION
TO THE

ISLAMIC REPUBLIC OF AFGHANISTAN

FOR THE

WOMEN'S ECONOMIC EMPOWERMENT RURAL DEVELOPMENT PROJECT

September 7, 2018

Agriculture Global Practice
South Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective {August 31, 2018})

Currency Unit =

AFN73.45 = US\$1

US\$ 1.40139 = SDR 1

FISCAL YEAR

December 21-December 20

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ABBREVIATIONS AND ACRONYMS

A2F	Access to Finance
AFMIS	Afghanistan Financial Management Information System
AFN	Afghanistan Afghani
AKF	Agha Khan Foundation
ALCS	Afghanistan Living Conditions Survey
AMA	Afghanistan Microfinance Association
ANDS	Afghanistan National Development Strategy
ANPDF	Afghanistan National Peace and Development Framework
AREDP	Afghanistan Rural Enterprise Development Program
ARTF	Afghanistan Reconstruction Trust Fund
BMC	Bulk Milk Chilling
BDSP	Business Development Service Provider
CA	Clearance Account
CC	Citizens' Charter
CCAP	Citizens' Charter Afghanistan Project
CCNPP	Citizens' Charter National Priority Program
CDC	Community Development Council
CDD	Community Driven Development
CE	Citizen Engagement
CPF	Country Partnership Framework
CPM	Community Participatory Monitoring
CRI	Core Results Indicator
CSO	Central Statistics Organization
CSPI	Community-based savings promoting institution
DA	Designated Account
EG	Enterprise Group
EIRR	Economic Internal Rate of Return
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESS	Environmental and Social Safeguards
DAB	Da Afghanistan Bank
DF	District Facilitator
FIRR	Financial Internal Rate of Return
FM	Financial Management
FNPV	Financial Net Present Value
FP	Facilitating Partner
FSS	Financial Self-Sufficiency
FY	Fiscal Year
GBV	Gender Based Violence
GHG	Green House Gas
GoIRA	Government of Islamic Republic of Afghanistan
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HH	Household
IDA	International Development Association
IDLG	Independent Directorate of Local Governance
IDP	Internally Displaced Persons
IFC	International Finance Corporation
IPV	Intimate Partner Violence
IRR	Internal Rate of Return
ISM	Implementation Support Mission
ISR	Implementation Status and Results Report
JSDf	Japan Social Development Fund
MAIL	Ministry of Agriculture, Irrigation and Livestock
MCG	Maintenance Cash Grant
MFD	Maximizing Finance for Development

MFI	Microfinance Institution
MIS	Management Information System
MISFA	Micro-Finance Support Facility of Afghanistan
MOCI	Ministry of Commerce and Industry
MOF	Ministry of Finance
MOLSAMD	Ministry of Labor, Social Affairs, Martyrs and Disabled
MOU	Memorandum of Understanding
MOWA	Ministry of Women's Affairs
MRRD	Ministry of Rural Rehabilitation and Development
MSME	Micro, Small, and Medium Enterprises
MTR	Mid-Term Review
MUDH	Ministry of Urban Development and Housing
NAPWA	National Action Plan for the Women of Afghanistan
NGO	Non-Governmental Organization
NHLP	National Horticulture and Livestock Project
NPA	National Procurement Authority
NPF	New Procurement Framework
NPP	National Priority Program
NPV	Net Present Value
NSIA	National Statistics and Information Authority
NSP	National Solidarity Program
O&M	Operations and Maintenance
OP/BP	Operational Policy/Bank Policy
OSS	Operational Self-Sufficiency
PA	Producer Association
PAR	Portfolio at Risk
PCO	Program Coordination Office
PD	Procurement Directorate
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PFEML	Public Finance Expenditure and Management Law
PFM	Public Financial Management
PG	Producer Group
PIU	Project Implementation Unit
PP	Procurement Plan
PPSD	Project Procurement Strategy for Development
PWD	Persons with Different Abilities
ROE	Return on Equity
SCF	Standard Conversion Factor
SDG	Sustainable Development Goal
SG	Savings Group
SCG	Savings and Credit Group
SHG	Self-Help Group
SME	Small and Medium Enterprise
SO	Social Organizer
SORT	Systematic Operations Risk-rating Tool
SW	Staff Week
SWEEP	Supporting the Women's Economic Empowerment Plan Project
TPM	Third Party Monitor
TSA	Technical Support Agency
TUP	Targeting the Ultra-Poor Project
VC	Value Chain
VF	Village Facilitator
VSLA	Village Savings and Loans Association
WB	World Bank
WEE	Women's Economic Empowerment
WEE-NPP	Women's Economic Empowerment National Priority Program
WEE-RDP	Women's Economic Empowerment Rural Development Project



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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Afghanistan	Women's Economic Empowerment Rural Development Project	
Project ID	Financing Instrument	Environmental Assessment Category
P164443	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input checked="" type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
28-Sep-2018	30-Jun-2023

Bank/IFC Collaboration

No

Proposed Development Objective(s)

To increase social and economic empowerment of poor rural women in selected communities.

Components

Component Name	Cost (US\$, millions)
----------------	-----------------------



Community Mobilization and Institution Development	30.00
Access to Finance	39.00
Enterprise Development and Market Linkages	18.00
Project Management	13.00

Organizations

Borrower: Islamic Republic of Afghanistan

Implementing Agency: Ministry of Rural Rehabilitation and Development

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	100.00
Total Financing	100.00
of which IBRD/IDA	25.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	25.00
IDA Grant	25.00

Non-World Bank Group Financing

Trust Funds	75.00
Afghanistan Reconstruction Trust Fund	75.00

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Total Amount
National PBA	0.00	25.00	25.00



Total	0.00	25.00	25.00
Expected Disbursements (in US\$, Millions)			
WB Fiscal Year	2019	2020	2021
Annual	2.31	6.49	7.30
Cumulative	2.31	8.79	16.09

	2022	2023
	5.46	3.44
	21.56	25.00

INSTITUTIONAL DATA

Practice Area (Lead)

Agriculture

Contributing Practice Areas

Finance, Competitiveness and Innovation, Gender, Social, Urban, Rural and Resilience Global Practice

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial



5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Substantial
9. Other	● Substantial
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09	✓	
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12		✓
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants



Sections and Description

The Recipient, through MRRD, shall prepare a Pest Management Plan acceptable to the Bank and have it duly consulted and disclosed no later than December 31, 2018.

Conditions

Type

Description

Disbursement

The Recipient, through MRRD, shall establish an integrated Management Information System acceptable to the Bank prior to disbursement of Seed Grants under Part 2 (a) of the Project and Catalytic Fund under Part 3 (b) of the Project.



I. STRATEGIC CONTEXT

A. Country Context

1. **Despite notable progress in rebuilding the economy, strengthening institutions, and restoring infrastructure and basic services, Afghanistan faces tremendous challenges today.** Afghanistan has relatively successfully managed the immediate challenges resulting from the political transition post-election of 2014. The country has maintained macroeconomic stability and established the conditions for a slow recovery of the economy. Risks to the economy remain significant, however, and withdrawal of international security forces starting 2011, coupled with political uncertainties and declining aid, have resulted in deceleration of economic growth, while fiscal pressures increase as security threats mount. The latest numbers from the Afghanistan Living Conditions Survey (ALCS)¹ released by the National Statistics and Information Authority (NSIA) (previously the Central Statistics Organization) show that poverty in Afghanistan has increased from 38.3% in 2012-13 to 54.5 percent in 2016-17.² With the population continuing to grow more than 3% a year, per capita GDP fell during the same period from US\$ 669 to US\$ 551, making it one of the poorest countries in the world. At the same time, private sector growth has fallen 9.4% in the period 2003-2012 to only 2.1% between 2013 and 2016. Private sector development and diversification is constrained by political instability, weak institutions, inadequate infrastructure, widespread corruption, and a difficult business environment (Afghanistan was ranked 183rd of 190 countries in the 2018 Doing Business Survey and 177 out of 180 in Transparency International's 2017 Corruption Perception Index)³. With a fresh election cycle approaching in 2018-19, it is vital that the GoIRA focuses on private sector led growth and revitalization of the economy to fill up the void emerging from declining donor inflows.

2. **A particularly concerning challenge is the low level of economic empowerment of Afghan women.** The current level of women's formal economic contribution to Afghan development is low. While women constitute 47 percent of the estimated 34.65 million population of Afghanistan in 2016⁴ the female labour force participation rate stands at only 26.8 percent (down from 29 percent in 2013-14). Among working age women, only 29 percent are economically active and most are employed in the agricultural sector (70 percent) while 24 percent are in manufacturing. The share of women in wage employment in non-agricultural sector is only 10 percent. Only 19.9 percent of the female population is literate (versus 49.4 percent for men), although this figure nearly doubles to 38.7 percent if only the female population under 25 is counted, a significant testimony to the advances that have been obtained over the past decade. Women earn significantly less than men. For the same type of job, women earn 30 percent less than men on average.

3. **Women in Afghanistan face significant legal, regulatory and cultural challenges that hinder their ability to run businesses and access markets⁵.** While the Constitution of the Islamic Republic of Afghanistan clearly states that "the citizens of Afghanistan – whether man or woman – have equal rights and duties before the law"⁶ and while most commercial laws have no explicit gender-legal differentiations (e.g. women can own and register businesses, open bank accounts, etc.), there are implicit cultural barriers and lack of legal incentive mechanisms that reduce the ability of women to participate in the economy successfully. Likewise, there are numerous actual gender-legal differences when it comes

¹ Source: ALCS 2016-17; available at https://cso-of-afghanistan.shinyapps.io/ALCS_Dashboard

² This is measured against a national poverty line of 2,064 AFN per person per month – approx. \$1 a day in current exchange rate terms.

³ Sources: www.doingbusiness.org/rankings and www.transparency.org/cpi

⁴ Statistics in this section are taken from the ALCS 2013-2014, ALCS 2016-17, the World Bank development database (<https://data.worldbank.org/country/afghanistan>); and the WEE-NPP Strategy paper, December 2016.

⁵ Sources: Women, Business, and the Law, 2016 report (Afghanistan chapter), and *Identifying Legal Barriers Hindering Women*

⁶ Afghanistan Constitution 2004.



to non-commercial laws (like the Marriage Law, Civil Code, Labor Law, etc.). These include differences in the legal age of marriage, mobility of women, ownership of property, and duration and types of work that women can undertake⁷. This lack of legal incentives for women to participate in formal business activities, has translated into very low levels of female entrepreneurship and women-owned businesses, although this number has steadily increased over time.

4. Access to finance, particularly for rural women, is especially constrained. Financial inclusion is a core development challenge in Afghanistan – with only 10 percent of the population (and 3.8 percent of women) having accounts in formal financial institutions⁸. Microfinance has been a widely-used strategy in Afghanistan to address barriers to financial inclusion, with the Microfinance Investment Support Facility for Afghanistan (MISFA) serving as an apex institution channeling funding and technical assistance to the whole sector. The sector has grown and consolidated over the last decade, the cumulative number of clients since the sector's inception early in 2003 exceeded one million clients. The total number of active clients of micro-finance institutions (MFIs) stands at 0.24 million, of which 0.13 million are active borrowers. About 30 percent of active borrowers are women. The outreach of MFIs is limited to 80 districts of 14 provinces, and only 12 percent of their active clients are from rural areas. Naturally, therefore, demand for microfinance services continues to far outstrip supply, especially in rural areas that are dominated by informal financial services as regulated financial markets have limited presence. Furthermore, based on the field research by the Afghanistan Research and Evaluation Unit (AREU), women, unlike men in the rural areas due to social norms and mobility restrictions do not have access to individual money lenders and even are not allowed to borrow from distant family members or neighbors.⁹ The outreach of the banking industry is equally limited in rural areas. Currently, there are 15 licensed banks in Afghanistan including three state owned banks, nine private sector banks, and three branches of foreign banks. The Banking sector has gradually been offering range of financial products and services but their services are mostly limited to urban areas. Most commercial banks have no branches outside Kabul yet, and only a few are providing loans to local businesses, much less small rural businesses. State Banks, as a whole, operate the most extensive branch network of the banking system, accounting for a total of 164 outlets, equivalent to 40 % of the banking sectors network, and covering the entire country.

5. Afghanistan is also highly vulnerable to climate change, and women are disproportionately affected by such changes when their rights and socio-economic status differ from men. Afghanistan faces many stresses that impact food, water and energy security, including those linked to its arid/semi-arid climate and vulnerability to droughts and floods. In the past 30 years, the country has ranked 24th globally for climate risk and 15th for weather-related disasters. The country's vulnerability is expected to continue - Afghanistan is ranked 8 of 170 countries for its vulnerability to climate change in the next 30 years. The high poverty rate, exposure to climate change events, and reliance on flood/drought prone agricultural land are significant contributing factors. With significant temperature increases projected as well as changes in the timing and volume of precipitation, droughts will become a norm by 2030 and flood events will be more intense. Afghanistan's rangelands and forests are already degraded and by 2060, large parts of the agricultural economy could become marginal without significant investment in water management and irrigation. Afghanistan could also see a 2 to 6 percent increase (in a more pessimistic scenario) in the number of extremely poor people by 2030 linked to the vulnerability of its agriculture and health sectors to climate change and exposure to climate-related natural disasters¹⁰. Women and children will be more exposed. Fiscal approaches such as insurance mechanisms, improved

⁷ The Women, Business, and the Law 2016 Report identified 22 such gender-legal differences.

⁸ Source: Global Findex Data 2014.

⁹ Source: *No more standard programming: economic development in fragile states – Lessons from Afghanistan*, AREU and Secure Livelihood Research Consortium, 2018

¹⁰ Sources: WB (2011). *Gender & Climate Change: 3 things you should know*. Germanwatch (2018). *Global Climate Risk Index*; Maplecroft (2011). *Climate Change Risk Atlas*; World Bank Group (2016). *Shock Waves, Managing the Impacts of Climate Change on Poverty*.



access to financial services for the poor, support for greater voice and inclusion of women in the economy and to finance, and strengthened/ focused climate-related public expenditure could help to reduce the impact of climate shocks.

6. **There is hence tremendous potential to increase women's participation in national development and reduce their vulnerabilities.** Global evidence increasingly showcases that greater gender equality can enhance productivity, improve development outcomes for the next generation, and make institutions more representative.¹¹ Afghan women suffer discrimination that is multi-faceted, inter-related and self-reinforcing constrained by a variety of cultural, institutional, and economic factors such as those outlined above. But the current international perception that Afghan women are blocked from the economy is an unhelpful over-generalization given the variation in cultural practices across the country. Furthermore, as in other parts of the world, cultural practices are more dynamic than often realized. As an economy grows and more opportunities arise, cultural beliefs about women's ability to contribute to household income and their participation in economic activities will change. Moreover, addressing gender disparities and empowering women is essential for consolidating peace and security in fragile and conflict-affected societies. The imperative for investing in women's economic empowerment (WEE) in Afghanistan can thus not be over-emphasized.

B. Sectoral and Institutional Context

7. **Recognizing this imperative, the Government of the Islamic Republic of Afghanistan (GoIRA) launched the Women's Economic Empowerment National Priority Program (WEE-NPP) on March 8th, 2017.** The WEE-NPP forms the third pillar of the GoIRA's Gender Strategy which is encompassed in the broader Afghanistan National Peace and Development Framework (ANPDF) – the country's five-year development plan for 2017-2021. The WEE-NPP aims to build poor women's capacity to strengthen the economy of their households, communities, and the entire nation. It is structured as an umbrella program (rather than a stand-alone project/operation) that would operate through over a dozen line ministries (through ongoing or pipeline projects) and coordinated through a Program Coordination Office (PCO) in the Ministry of Labor, Social Affairs, Martyrs and Disabled (MOLSAMD). The latter would in turn provide start-up technical and financial resources to support women-owned businesses, and development of job skills, and financial literacy. The program would further help create an enabling environment for WEE through policy and planning reforms that will remove legal barriers to women's economic participation; streamline and reduce regulatory barriers to women's involvement in marketing; and improve the quality and use of gender statistics for planning

8. **The WEE-NPP builds upon and complements other initiatives of the GoIRA.** The WEE-NPP builds on previous government-led initiatives to expand women's economic empowerment, including the gender elements of the Afghanistan Compact, the 2008-18 National Action Plan for the Women of Afghanistan (NAPWA), and the 2008 Afghanistan National Development Strategy (ANDS). The GoIRA has also fully committed to gender equality and has backed this commitment with credible reforms to increasing the role of women in government, providing access to property, and implementing United Nations Security Council Resolution 1325. The WEE-NPP compliments these efforts and links closely to other NPPs – notably the Citizens' Charter National Priority Program (CCNPP), the Agriculture NPP and the Human Development NPP. The WEE-NPP comprises six pillars, which are being implemented by different ongoing and pipeline projects. WEE-RDP is the flagship program under the WEE-NPP umbrella (see Annex-2 for more details).

9. **The proposed project builds off the lessons from the recently closed Afghanistan Rural Enterprise Development Program (AREDP)¹².** The AREDP was approved by the ARTF Management Committee on April 11, 2010 with the objective of improving employment opportunities and income of rural men and women, and sustainability of targeted local

¹¹ See for instance World Development Report 2012: *Gender Equality and Development*.

¹² Annex-3 provides a summary of both the AREDP and the CCAP on which WEE-RDP is building.



enterprises. AREDP's operational activities have resulted in the strengthening of about 64,328 community members (56 percent women) including marginalized groups, IDPs and Returnees through a community-driven savings and enterprise model for income and employment generation. More than 5,193 Savings Groups (54 percent women), 1,336 EGs (841 EGs managed by women) and 505 Village Savings and Loan Associations (VSLAs) were established and supported. Community Saving Groups have saved US\$4.2 million (US\$2.2 million by women), where US\$4 million of loanable savings are in circulation at any given time. Additionally, the program supported 657 micro, small and medium enterprises (MSMEs) to strengthen backward/forward linkages with the rural economy and utilized them as business service providers for the newly established community enterprises. A recent study 'Jobs from Agriculture and Rural Development Operations in Afghanistan' found that the employment effects of AREDP on female beneficiaries were significant. Participation of women was one of the key strengths of AREDP as over 60% of beneficiaries were women. The project's impact on the local economy and its catalytic effect on social inclusion facilitate AREDP's transition into the WEE-RDP.

10. The project will leverage the social mobilization and outreach of the Citizens' Charter program. Most successful women's empowerment programs are built on a community platform which also provides access to basic services and enables trust. Therefore, the WEE-NPP conceived the WEE-RDP to leverage the institutional structure of the Citizens' Charter National Priority Program (CCNPP). The CCNPP emerged from the foundation of the highly successful National Solidarity Program (NSP), which introduced a community-driven development (CDD) approach towards rural infrastructure and service delivery and reached approximately 35,000 communities over the past 14 years. The Citizens' Charter Afghanistan Project (CCAP) which implements the first phase of the CCNPP aims to deliver core infrastructure, emergency support, and social services to participating communities through strengthened Community Development Councils (CDCs). By helping improve services, especially for the poor and most vulnerable, it also ensures social inclusion. CCAP can thus provide an umbrella body for women's groups and help women access critical social infrastructure.

11. The project will also capitalize on many of the outcomes of the Access to Finance (A2F) project and the Modernizing Afghan State-Owned Banks project. The A2F invests in the capacity of MFIs and supports the development of innovative products, least cost delivery channels and infrastructure to accommodate for the growing demands. This is expected to reflect on the MFIs ability to enhance risk management and extend their outreach to support WEE-RDP linkages. Moreover, the investment in the State-Owned Bank's capacity and infrastructure will facilitate the digitization of VSLAs accounts for the first time. This will contribute to better governance, accountability and transparency.

C. Relevance to Higher Level Objectives

12. The proposed project also contributes to the overall vision and key development priorities outlined under Afghanistan National Peace and Development Framework (ANPDF). WEE-RDP is one of the flagship programs under the overall umbrella of WEE-NPP. The project supports the national gender strategy by enabling women to participate in small-business, cultural and creative industry and in agricultural economy. Higher level institutions of rural poor women e.g. producer's associations etc. will be linked to private sector by fostering various public-private community partnership models to achieve a higher level of growth. The project would mobilize and organize women in target communities to reduce vulnerability and enable them to effectively participate in local democratic institutions like CDCs.

13. The project contributes to the WBG's twin goals and is fully aligned with the Afghanistan Country Partnership Framework (CPF). By focusing on the economic empowerment of rural poor women, the project is a direct contributor to increasing shared prosperity and helping Afghanistan tackle its worsening challenge of poverty. The CPF gives special emphasis to the importance of promoting women's economic empowerment and the proposed project is very much aligned with all three key CPF pillars: (i) building strong and accountable institutions; (ii) supporting inclusive growth; and



(iii) expanding and deepening social inclusion. Although, none of these objectives would be solely met through WEE-RDP, the project design significantly contributes to these pillars by building strong and self-sustainable community institutions of rural poor women, building inclusive financial systems, and ensuring that poor and marginal communities effectively participate in the economic growth process. The second component of the project, which aims to build a more inclusive access to finance through direct transfer of matching grants and revolving fund to community institutions, will not only bring sustainability to these community institutions but would also deepen the state-citizen relationships. Finally, the third component will contribute to inclusive economic growth by foster women's entrepreneurship.

14. Finally, the project will also support the GoIRA in achieving at least four of the United Nations' Sustainable Development Goals (SDGs). Specifically, the project will focus on the following:

- (a) GOAL 5: Gender Equality by ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.
- (b) GOAL 8: Decent Work and Economic Growth- The project will promote female labor-force participation and contribute to inclusive and sustainable economic growth.
- (c) GOAL 10: Reduced Inequality – by focusing on poor and rural women.
- (d) GOAL 13: Take Urgent Action to Combat Climate Change and Its Impacts – by boosting the resilience of poor and rural women to climate change and reducing emissions in agriculture and livestock activities.
- (e) GOAL 17: Partnerships to achieve sustainable development goals, including through South-South cooperation.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

To increase social and economic empowerment of poor rural women in selected communities.

15. The project defines "social empowerment" as participation in community level women's institutions, with an implicit theory of change that such participation leads to social empowerment. These institutions will be provided seed capital, technical assistance, and be linked to formal financial institutions and markets to enable economic empowerment. "Economic empowerment" is defined in this project as having both the resources to advance economically and the power to make and act on economic decisions. Economic empowerment starts with fair and equal access to markets and institutions, but women also need agency and control over resources to ensure they benefit from economic activities. Economic empowerment also encompasses financial inclusion, which increases women's access to products and services to exercise control over money.

PDO Level Indicators

16. Following the focus of the project on social, financial, and economic inclusion and empowerment, the proposed PDO level indicators are as follows:

- (a) Number of direct beneficiaries (of which female)
- (b) % of women self-help groups (SHGs) from poor or vulnerable households
- (c) % of women owned EGs/PAs showing increase in volume of salesBeneficiaries of job-focused interventions



- (d) Number of beneficiaries reached with financial services (Corporate Results Indicator/CRI)

B. Project Components

17. Based on the rural goals outlined in the WEE-NPP, the WEE-RDP has three core intervention tracks – one around social mobilization to develop community institutions and federating them to higher levels; the second dedicated to providing inclusive access to finance, and the third focusing more on enterprise development and value chain/market linkages. These would be supplemented with program support that would also link back to both the WEE-NPP and the CCNPP. This ‘institutional approach’ to empowerment of women has proven very successful in rural livelihoods projects in other South Asian countries, notably in India, since it harnesses the social capital of poor women and uses this to develop both financial and economic capital. Keeping this core design model in mind, each of the project components (or ‘parts’ as per the legal agreements) is described below. A more detailed description can be found in Annex-2.

18. **COMPONENT-1: Community Mobilization and Institution Development (est. US\$ 30 million):** As agreed in the Financing and Grant Agreements, the first part of the project comprises the following:

- (a) Providing technical assistance to support community mobilization for establishing: (i) SHGs and federating them into VLSAs; and (ii) EGs and federating them into PAs.
- (b) Carrying out a program of activities to strengthen capacity, quality, and financial performance of SHGs, VSLAs, EGs, and PAs, including, inter alia, developing capacity building modules, training aids, common accounting and reporting systems, and grading and rating mechanisms.

19. This first component of the WEE-RDP aims to build sustainable community institutions through social and economic mobilization of rural women. This is perhaps the most critical component of the project, since it lays the institutional foundation on top of which the rest of the activities will depend. The formation of sustainable institutions would build the social capital of women in the rural areas and serve as the first stage of their economic empowerment. The core community institutional framework envisaged under the project are women’s self-help groups (SHGs) which would be federated into VLSAs. From these would emerge community level enterprise groups (EG) which in turn would be aggregated to producer associations (PAs). The project is expected to create a total of 40,000 SHGs, 5,000 VSLAs, 5000 EGs and 500 PAs. Two implementation approaches would be used – one using NGO facilitating partners (FPs), who would build off the work done by similar FPs under CCAP; and a second strategy deploying a network of social organizers (SOs), village facilitators (VFs) and district facilitators (DFs) directly working with MRRD. A ‘saturation approach’ that aims to mobilize women from all households in the target communities will be used and given the socio-cultural context in Afghanistan the option of having up to 20% male SHGs has been retained. Financing under the component covers the cost of the different FPs, individual facilitators, field trips, exposure visits, and a series of training modules to build the institutional capacity of the women’s groups.

20. **COMPONENT 2: Access to Finance (est. US\$ 39 million):** As agreed in the Financing and Grant Agreements, the second part of the project comprises the following:

- (a) Providing Seed Grants to eligible SHGs and VSLAs to establish long-term revolving funds.
- (b) Facilitating access to financial services for rural women through, inter alia: (i) partnerships with micro-finance institutions and commercial banks to promote financial inclusion of women groups; (ii) developing relevant financial products and services with commercial banks and micro-finance institutions; (iii) eliminating institutional constraints on women’s access to formal financial services; (iv) exploring feasibility of piloting a system, enabled by information technology, for delivery of financial products; and (v) financial



capacity building.

21. This second component will facilitate empowering of both community institutions i.e. SGs/VSLAs and its members to develop as sustainable financial institutions at the community level and eventually establish direct linkages with financial service providers including MFIs and commercial banks. Evidence from past experiences in Afghanistan as well as other countries demonstrates that this is a long-term process that has to be approached in phases. The key focus of WEE-RDP would be to strengthen the 'demand side' by creating an ecosystem of women savings groups that are built on mutual trust and respect to support their livelihoods and federate to VSLAs for sustainability. This would prepare the women groups to link with MFIs and make them bankable. In this way, there would be three stages in the access to finance:

- (a) the first stage is to develop an own savings culture through SHGs and federate them into VLSAs.
- (b) In the second stage, the project will inject seed capital, which will support transforming VSLAs to the next level in terms of scale as well as operational and financial sustainability.
- (c) Finally, the third stage would be to link the VSLAs to MFIs and Banks.

22. The component will have a strong focus on ensuring the financial and operational sustainability of VSLAs and will work with MFIs and commercial banks to create an enabling environment for investment in the livelihoods of rural women by increasing their access to sustainable financial services. The project complies in general terms with OP 10.00 para 15 on financial intermediation (see Annex-2 and 10 for details).

23. **Component 3: Enterprise Development and Market Linkages (est. US\$ 18 million):** As agreed in the Financing and Grant Agreements, the third part of the project comprises the following:

- (a) Providing technical assistance and supporting promotional activities to strengthen the capacity of EGs, PAs, and individual women entrepreneurs to access markets and manage their businesses.
- (b) Providing Catalytic Funds to eligible EGs and PAs in order to finance, inter alia, quality inputs, post-production equipment, and/or small-scale infrastructure.
- (c) Supporting EGs, PAs, and/or individual women entrepreneurs through facilitating: (i) their partnerships with business enterprises to improve the supply of business development services; and (ii) access to markets.

24. This component aims to finance common assets of public goods nature based on business needs and assessment of market failures using the 'maximizing finance for development' (MFD) cascade principle (see Annex-2). These investments are expected to be catalytic, helping individual level investments reach economies of scale through increased coordination. This will be supplemented with technical assistance, business development support, as well as market exposure and linkages. Any support under this component will be against a robust Business Plan with a ceiling of \$2000 per EG, which may also be aggregated for the larger assets /infrastructure at the PA level depending upon specific business case. The project will also contract an independent third party to verify and validate the Business plan in terms of feasibility, fiduciary process and inclusion. It is expected that this build-up process will help women to increase their productivity, competitiveness, which would in turn improve job opportunities for women and contribute to their economic empowerment. The component builds on the existing successful framework of AREDP on enterprise development which has proven effective in developing women enterprises and supporting them on capacity building, business skills and linkage to markets. The focus will be on pro-poor, high value commodities such as vegetables, horticulture, milk, poultry, sheep; fish; goat; carpet; honey, handicrafts etc. where women participation tends to be higher. This component will also seek to draw partnerships and synergy with other ARTF, bilateral donor funded, and NGO run programs and projects that work on similar themes¹³. Investments made under this component would be largely/mostly

¹³ In this respect, the project is exploring a formal partnership with the "Women in Economy" program run by USAID.



of public in nature and follow MFD principles.

25. **COMPONENT 4: Project Management (est. US\$13 million):** The last part of the project, as per the Financing and Grant Agreements, aims at provision of overall Project implementation support to MRRD, including:

- (a) supporting training and technical assistance, acquisition of equipment, and operating costs to improve monitoring and evaluation, management information, financial management, procurement, human resource management, knowledge management and communication systems, and environmental and social safeguards management of the Project;
- (b) providing technical assistance to inform implementation and policy development and strengthening the capacity of 's relevant staff; and
- (c) promoting partnership arrangements with similar World Bank-funded projects in other countries for overall technical and implementation guidance.

26. Under this Component, the project will finance salaries of project staff, consultancies, training programs, office equipment, and incremental operational costs of set up under MRRD and provincial units. The component will also support project coordination, implementation, monitoring and evaluation (M&E) at the national and provincial levels, as well as the running of the grievance redress mechanism. The project will leverage the existing institutional infrastructure available in the CCAP program at the MRRD level for various project management activities including procurement, FM and communications. A detailed M&E plan will be prepared to align project activities and tasks with the key results and the related PDO level results indicators and the intermediate level indicators at the component level. There will be systematic internal monitoring of activities and results that will be fed into the preparation of Implementation Status report and Annual Progress reports. An M&E/MIS system will be established to collect and process appropriate information that will enable determination of the progress towards the achievement of the PDO, tracking of progress at each phase of the results chain, and if required, adjustments will continuously be made and at Mid-Term. Baseline information will be collected as part of initial project implementation.

C. Project Beneficiaries

27. **Core Beneficiaries are poor rural women and their institutions:** The primary target of the project are Afghan women living in mostly rural areas, who will be supported through the different elements of the project to develop their social, financial, and economic capital. The main units of intervention will be the community institutions of women that are being developed under Component 1 – namely WSGs, VSLAs, EGs, and PAs. As noted, the project will create about 40,000 WSGs, 5000 VSLAs, 5000 EGs, and 500 PAs. Through these institutions, men and women from about 400-450,000 HHs would be mobilized. This in turn would bring second order benefits to a population of about 3-3.5 million people given the average HH sizes in rural Afghanistan and factoring in that some HH may have more than one SHG member. Secondary beneficiaries are the broader community and various SMEs/firms that will be linked with EGs/PAs. Approximately a 100 such SME/agribusiness firms are meant to benefit from the program.

28. **Overall Coverage:** Following the broader WEE-NPP, the WEE-RDP is meant to be a national program and therefore be implemented across the entire country. However, as with other NPPs like the Citizens' Charter, a full-scale roll out in every district is not feasible from a security, capacity, and budgetary resource perspective. Therefore, the WEE-RDP has taken the approach of also phasing its implementation over the next 10-15 years. In the current operation (which can be considered as a first phase), the total coverage will be for 76 districts spread over all 34 provinces of the country. Of these 24 districts are those that were covered under AREDP and have been automatically drawn into WEE-RDP although



they will not get the full package of support envisaged in new districts. Within these 76 districts, approximately 6250 CDCs (roughly 70%) would be covered, which is the basis for the formation of 5000 new VSLAs. In addition, the project will continue support to the 505 VSLAs set up under AREDP.

29. Selection of Districts: Within each province WEE-RDP will be implemented in at least 1-2 district, except for the previous AREDP provinces where a larger number of districts will be covered. Within each province, the selection of districts was based on a set of objective criteria which included overlap with other projects (e.g. CCAP, TUP, etc.), presence of MFIs in the provincial capital security, etc.¹⁴ Using these criteria a total of 76 districts were selected for WEE-RDP implementation. Although these criteria do tend to result in more peri-urban districts being selected (for example, those near provincial capitals), over 70 percent of them are classified as rural¹⁵. Additionally, in the Afghan context, aside from a handful of provincial capitals, even the “peri-urban” districts are mostly rural outside of one major town or municipality. Seven of the selected districts are on a ‘standby’ list given the security situation on the ground in those. They would be included into the program as the security situation improved or would be replaced with other districts. A detailed phasing plan to cover the rest of the districts would be developed as implementation unfolds. While most of the target districts are secure in terms of the ability of the GoIRA to operate, a high-risk area strategy has also been developed by the project to guide the implementation in semi-secure/insecure areas.

30. Reaching poor women: Although the project does not solely include poor women through either geographical or household targeting, it has several features designed to promote the participation of poor women. First, the project’s saturation approach aims to reach 100% of women within each community. With a poverty rate of 55 percent, this would mean that most beneficiaries would fall under the national poverty rate. Second, in CCAP communities, the project will make use of CC’s well-being analysis data (documented and stored by CDCs), to identify the poorest households and conduct targeted outreach to the women living in those households. Third, the formation of SHGs through self-selection allows for poorer women to form groups amongst themselves with lower weekly savings contributions. Fourth, special provisions will be made to facilitate these poorer women’s SHGs into VSLAs, for example by lowering the fee required to join the VSLA. Finally, the success of the project in saturating the target communities and reaching poor women will be monitored through the PDO-level indicator 2 (% of women SHG members from poor and vulnerable households) and an intermediate-level indicator (% of identified poor and vulnerable households (e.g. Kuchies, widows, returnees disabled) which are mobilized into SHGs).

D. Results Chain

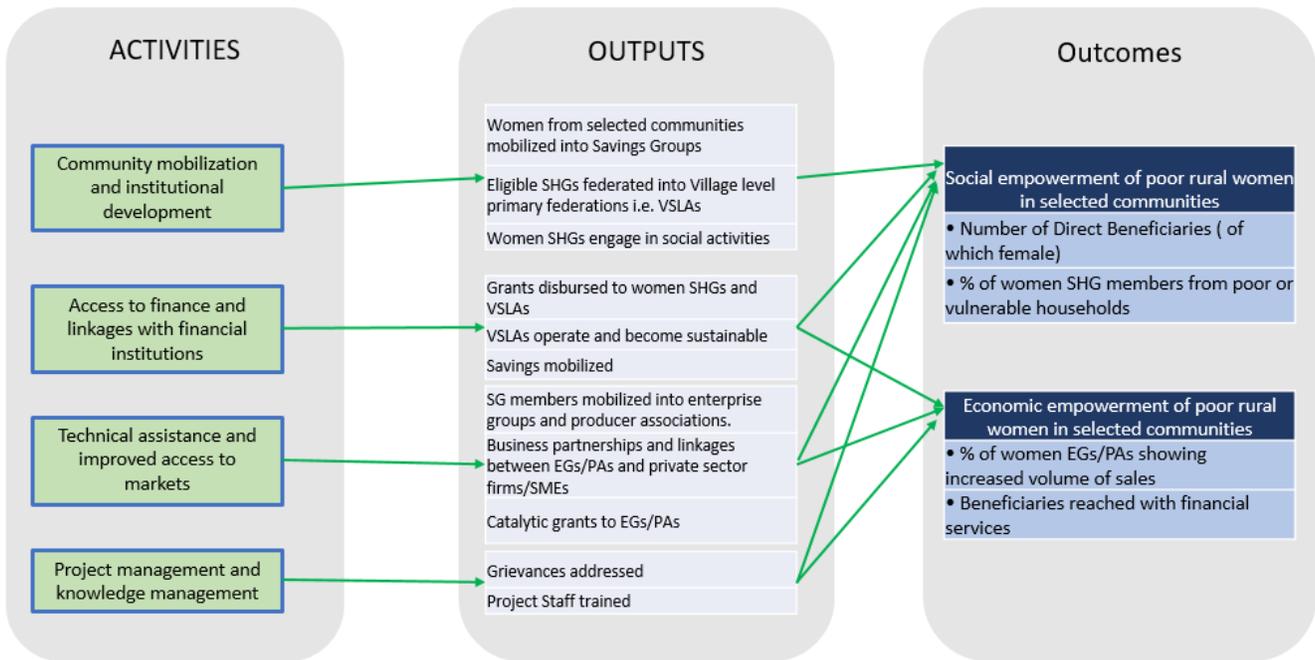
31. Theory of Change. As mentioned earlier, the overall theory of change for the project involves mobilizing rural women into different institutions and using these institutional platforms to link them to services, markets, and financial institutions. By forming institutions with a mixed group of poor and non-poor women, with support for poor women’s equal involvement, the project intends to build solidarity, sustainability, and facilitate pathways for women to lift each other up. In this way, the accumulated social capital can then be leveraged to access financial, political, and economic capital thus leading to both social and economic empowerment. This ‘institutional approach’ to empowerment of women has proven very successful in rural livelihoods projects in other South Asian countries, notably in India. The results chain for the project is provided in figure below.

¹⁴ The full list of criteria and the final list of districts can be found in Annex-4. Each criterion was given a specific weightage in the ranking exercise. Data for different criteria were obtained from a combination of Government, WB, and UN agency sources.

¹⁵ The classification of rural and urban districts was based on the NSIA’s classification of survey enumeration areas. A district was considered rural if at least 75 percent of enumeration areas within the district were classified as “rural” by NSIA. Based on this definition, 53 of the 76 districts were classified as rural.



Figure: Results Chain for WEE-RDP



E. Rationale for Bank Involvement and Role of Partners

32. **The Bank has considerable global experience in WEE:** The rationale for Bank involvement stems from the considerable national, regional, and global experience it has on programs promoting WEE, including through the model of creating institutional platforms for women as proposed under WEE-RDP. The World Bank has been investing in similar projects in Afghanistan (notably AREDP) and other neighbouring South Asian countries like India (e.g. the National Rural Livelihoods Project, Bihar Rural Livelihoods Project, etc.), Pakistan, Nepal, Sri Lanka and Bangladesh over the last two decades and has a rich trove of knowledge and operational experience and lessons that will inform the design of the proposed WEE-RDP. Over the last fifteen years in India alone, these projects have mobilized over 45 million poor women through the self-help groups and their federations have saved more than USD 1.4 billion and have leveraged more than USD 20 billion through the formal financial system. The World Bank support will ensure that the lessons in “scaling up” from other countries gets incorporated into the design and implementation of the proposed project and institutional partnerships with some of these projects in India and other neighbouring countries will be established for cross learning, technical assistance support and knowledge exchange.

33. **Linking with other projects and multiple sectors.** As the core partner on the broader WEE-NPP, the Bank also holds a distinct advantage of linking the proposed project to not just the broader program, but other supporting projects and NPPs that come under the ARTF/IDA umbrella. For this, the Bank team will draw on support from various global practices that are part of the task team such as Finance, Competitiveness & Innovation (FCI), Social, Urban and Rural Resilience (SURR), and Social Protection. The Bank support will enable convergent actions under several projects under these and other global practices, specifically related to private sector development, displacement, agriculture and rural development. The project will also enable technical support from other development partners like the Aga Khan Foundation (AKF) and other bilateral and multi-lateral development agencies operational in the country and being



supported under the WEE-NPP umbrella.

34. **Partners:** Some of the important partner agencies of WEE-RDPs and their expected roles are as follow:

- (a) **Private and Public-Sector partner agencies:** WEE-RDP will maintain close coordination and collaborate with all relevant GoIRA programs and interventions of other various ministries supporting women's social and economic empowerment. This will bring complementarity in approach, avoid duplication of efforts and facilitate women's access to multiple interventions and services. For all components, the project will aim to partner with existing SMEs, agribusiness firms, and major retailers to help create market access for EGs/PAs. Likewise, the program will partner closely with the PCO of WEE-NPP housed in MOLSAMD.
- (b) **MISFA, DAB, and state-owned banks:** For the channeling of grant resources and the overall implementation of Component 2, the project will establish partnerships (potentially as MOUs) with DAB, MISFA, and at least two of the main state-owned banks in the country – namely New Kabul Bank and Pashtany. Additional MFIs and banks who wish to partner with the project will be reached out to during implementation.
- (c) **NGO Facilitating Partners (FPs):** As described in Component 1, FPs will be hired for social mobilization and institution building in the majority of districts depending on their capacity, and availability. These NGOs will be core partners for not just mobilization but linkage to their own programs funded by other donors.
- (d) **Technical Partner Agencies:** To strengthen the technical capabilities of MRRD and the program implementation unit (PIU) within it, the project will get the services of high quality technical support agencies (TSAs) for each component. This includes potentially a 'twinning' arrangement with one of the rural livelihoods projects in India to serve as a technical partner. These TSAs will work with the project to help them in coming up with required guidelines; framework and quality assessments.
- (e) **Other Projects:** Certain specific projects – such as the NHLP, TUP, and SWEEP will be core partners for WEE-RDP given the overlap in geography and complementarity in activities. MRRD will be signing an MOU with MAIL to cover the partnership with NHLP on provision of extension services and training around horticulture and livestock. The SWEEP pilot will be used to field test new ideas that can be mainstreamed in WEE-RDP. And the TUP will be used as a partner to reach ultra-poor women who can 'graduate' to become SHG members in WEE-RDP in the areas of overlap.
- (f) **ARTF Donors:** Finally, given the strong interest of ARTF donors on WEE-RDP, it is expected that they will play a key role in WEE-RDP's implementation, scale-up, and integration with their own bilateral programs.

F. Lessons Learned and Reflected in the Project Design

35. **The project benefits from the lessons and experience of various national, regional, and global studies and projects.** Most notably, the project builds upon the 8-year implementation experience of the AREDP, which went through its own restructuring and additional financing that revealed several lessons that are being incorporated in WEE-RDP¹⁶. The design of WEE-RDP has also drawn lessons from several other similar projects implemented in other south Asian countries eg. the Bihar Rural Livelihoods Project; the India National Rural Livelihoods Mission; the *Gemidiriya* Project in Sri Lanka and the Nepal and Pakistan Poverty Alleviation Funds. Several design elements derive from the experience of these projects. Two recent studies¹⁷ – (i) a stocktaking of community-based savings promotion institutions (CSPIs) done by the Afghanistan Microfinance Association (AMA); and (ii) a mapping of WEE initiatives in Afghanistan commissioned by the World Bank – have both provided valuable lessons that are incorporated into the design. Finally, under the WEE-NPP umbrella, a series of global literature reviews were also undertaken on various aspects of women's empowerment

¹⁶ During the AREDP additional financing, several short assessments and rapid reviews on specific design features (e.g. role of BDSPs, types of value chain support models, types of community mobilization models, etc.) were also commissioned to inform WEE-RDP design.

¹⁷ Annexes 6 and 7 provide a summary of the overall findings, lessons, and recommendations of these two studies.



(e.g. access to finance, skills building, etc.) that have also been used to inform project design.

36. Drawing from these various sources, some of the key lessons reflected in the WEE-RDP design are as follows:
- (a) **Most successful women empowerment programs are built on a community platform which also provide access to basic services and enable trust.** This is a lesson emerging not only from the AMA study, but the WEE mapping as well, which argues that WEE begins in the 'social sphere'. As a result, the WEE-RDP focus on institution building and linkage with CCAP and CDCs is a critical design element to ensure sustainability and enhanced social empowerment of women. The Citizens' Charter can in turn provide an umbrella body for women groups and serve to leverage women access to critical social infrastructure.
 - (b) **CSPIs matter and the development of a nested community institutional architecture to create livelihoods opportunities for rural women is possible:** The AMA study clearly shows the importance that CSPI models have in providing access to finance and empowering rural poor people (see Annex 6). Within that spectrum, AREDP has established a successful model of federated community institutions. It has facilitated large scale group savings and inter-lending at the community level, which is further strengthened through provision of seed capital to eligible VSLAs and facilitating access to markets. This has been successful across six provinces spread over various regions of Afghanistan, and so provides adequate proof of concept for the scaling up, refining, and strengthening as part of WEE-RDP. The higher level of participation of women in AREDP has also provided confidence that the model can work for Afghan women, much the same way as it has for women in other rural livelihoods projects in SAR.
 - (c) **CDCs play significantly positive role in social mobilization:** CDCs promoted under NSPs and now under CCAP can play a very significant role especially during initial mobilization and entry to a new geography. Therefore, instead of having an ad-hoc arrangement, as part of WEE-RDP an institutional collaboration with CCAP has been proposed. The platform of CDCs will be extensively utilized to promote SGs and VSLAs and the existing rapport of the FPs with communities under CCAP as well as the various social mobilization tools (like well-being analysis, social and resource mapping, leaking pot analysis, women's mobility analysis, etc.) they have used in CCAP will be used to jumpstart the implementation of WEE-RDP. Therefore, CCAP districts have been prioritized for WEE-RDP.
 - (d) **Working with MFIs and Banks upfront:** One of the key weaknesses of past CSPI models in Afghanistan (including AREDP) has been that they have not been able to make the 'last mile' link to formal financial institutions. Therefore, the ultimate access to finance goals of the project and overall financial sustainability of the SHGs and VSLAs remains unachieved. Therefore, under WEE-RDP a fresh VSLA maturity and sustainability analysis and maturity index is being developed and MOUs with MISFA and two of the leading state-owned banks are being drawn up before project effectiveness. This will allow the women's institutions to establish a direct up-front relationship with formal financial institutions, which can then pave the way for longer-term engagements in the future as well as the delivery of other financial products to them.
 - (e) **Investing in business linkages with the private sector:** Both the AMA study and WEE mapping emphasize the need for a multi-pronged approach towards WEE that emphasizes access to markets and private sector linkages. Global evidence shows that private sector participation is key for sustainable livelihoods of the poor. Lack of access to various kinds of markets is a major reason for the rural poor to continue to remain in poverty. Drawing on AREDP and other successful lessons of developing producer associations with sustainable private sector market linkages, the WEE-RDP will support technical assistance for major livelihoods activities through strategic public-private community partnerships¹⁸. These sector support organizations will provide technical know-how, critical market linkages, and capacity building support to community organizations mobilized and formed through the

¹⁸ This is similar to the 'productive alliances' model used successfully in Latin America that ties willing private sector 'buyers' to producers. Examples in South Asia Regions also include the Nepal Project for Agricultural Commercialization and Trade, the Jeevika Project in Bihar, India and the Afghanistan IFC cashew investment also has similar arrangement.



project to access promising markets. Similarly, component 3 design includes various promotional activities that have been important for marketing of women's groups under AREDP.

- (f) **Intensive and continuous facilitation is essential:** The process of group formation, trust and capacity building of the poor requires handholding support by external facilitators, tailored to the specific needs of each group at different stages of development. Therefore, social mobilization is an ongoing process not limited to just forming groups and one-off trainings. To ensure holistic development at village level, continued support is necessary by combining skills training, access to finance and market linkages. Hence WEE-RDP design has a much greater allocation for Component 1 than AREDP and is deploying two models of social mobilization.
- (g) **Following a saturation approach is critical for large scale women economic empowerment:** Experiences from other South Asian countries suggest that bringing all (at least > 80%) poor and poorest, marginalized and vulnerable households into the fold of WSGs is critical to bring in ecosystem level impacts related to women's economic empowerment. Accordingly, WEE-RDP intends to follow a saturation approach instead of thinly spreading out, which means that all HHs in a CDC would be covered, ensuring the participation of poor HHs. This would also require collaboration with the A2F project and other operations that are targeting ultra-poor women to provide additional support to allow them to participate fully in the WEE-RDP.
- (h) **Promotion of female entrepreneurship requires specialized approaches:** Finally, based on the global stocktaking it is clear that women and men face differential challenges to enterprise development and in a socio-cultural context like Afghanistan will require specific confidence building and gender-sensitive approaches. Therefore, the project has incorporated into its design specific strategies to ensure capacity development access to business development services, hand-holding and networking through mentors, and access to matching grants to address challenges of lack of collateral and start-up capital. Working with FPs that have a history with gender-related programs on the ground is also an added advantage in this respect.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

37. **The WEE-RDP will be implemented by the Ministry of Rural Rehabilitation and Development (MRRD) under the overall framework of WEE-NPP.** MRRD is currently going through structural changes, which will evolve during the course of 2019. As per the latest thinking, it is proposed to restructure the Ministry into three operational general directorates, each covering the main functional pillars of MRRD's operations. These are – (a) *Community Development* (covering the Citizen's Charter Afghanistan Project (CCAP) as well as supporting public goods/infrastructure projects such as the Afghanistan Rural Access Project (ARAP)); (b) *Sustainable Economic Growth* (covering the livelihoods/private goods related operations such as AREDP); and (c) *Balanced Growth and Border Areas* (covering specialized cross-border programs targeting these geographies as well as specific populations). Common functions (such as HR, procurement, finance, etc.) would be centralized at the Ministry level. The WEE-RDP, given its livelihoods and private sector goods focus, would be situated under the second pillar (Sustainable Economic Growth). However, WEE-RDP would work closely with the CC General Directorate as well as balanced growth pillars at both the national and sub-national levels and would leverage existing implementation architecture set up under different programs. The management of the community mobilization (including of the FPs) will be done in close coordination with the CCAP.

38. **The existing WEE-NPP Steering Committee will provide overall strategic guidance and oversight.** The High-Level



Steering Committee established under the WEE-NPP¹⁹ will be used for the overall co-ordination, guidance, setting up direction for program implementation and to enable leveraging of resources and drive synergies among various related programs of these Ministries for the overall socio-economic empowerment of women in Afghanistan. The steering committee will also be an avenue to move forward with any policy reforms and legal provisions that may be needed to facilitate the program (e.g. registration of VSLAs, or easing the process of issuing national IDs to women, etc.). The WEE-RDP directorate at the national level will coordinate its activities with the other programs being implemented under the aegis of the WEE-NPP through related Ministries, such as the Ministry of Agriculture, Irrigation and Livestock (MAIL); Ministry of Commerce and Industries (MoCI); MoLSAMD; and the Ministry of Women Affairs (MoWA).

39. At the national level, the existing AREDP PIU, will be re-modelled for WEE-RDP and positioned within the new Sustainable Economic Growth Directorate. The Directorate/PIU will be fully staffed with technically competent multi-disciplinary team of senior professionals, consultants and sector specialists to implement & manage the enterprise development, access to finance, access to market and economic empowerment elements of the program. WEE-RDP will utilize MRRDs common resources/systems for program support services related to HR; Finance Management, Procurement, and other technical units like communication; gender; Grievance redressal; Governance and Accountability etc. as part of the proposed Ministry restructuring. Only a lean team of complementary skills set with WEE-RDP will be maintained at the WEE-RDP directorate level for overall co-ordination; policy/guidelines formulation; and for building partnerships with various public & private development organizations/institutions.

40. At the sub-national level, the WEE-RDP structure will be merged with the existing institutional arrangements for the CCAP to avoid duplication. The WEE-RDP would therefore piggy back on the District Offices that have been set up under CCAP. The WEE-RDP would use their office premises and resources and would supplement the District staffing with one District Coordinator (DC) for each of the 76 districts under WEE-RDP coverage. The program would also establish seven regional offices for coordination across the provinces under them. There will be a team of 2 district officers in each district; one officer will look after components 1 and 2 and one officer will look after component 3 of the program. Additionally, a team of 3 SOs (two female, one male) would be hired for every 30 CDCs covered for the first two years, which would then be reduced to 3 SOs per district in the remaining three years of implementation once the speed and scale of the program had increased sufficiently and most of the VSLAs were formed.²⁰ Likewise, a team of 3 VFs (again 2 female and 1 male) would be deployed for every 10 CDCs for 2 years and subsequently for every 20 CDCs in Years 3-5. The payment to VFs from the project will be gradually scaled down so that they begin drawing their income directly from VSLAs and SHGs. The project will pay 100% of VF salaries for the first 3 years; 50% for the 4th year and 0% from 5th Year onwards. This same implementation model (including per CDC costs) would be proposed for the FPs (who would be asked to on board VFs as well) so that at exit there is a common implementation architecture for the program. Selection of the sub-national positions will be done through a competitive process managed by MRRD at the provincial level.

B. Results Monitoring and Evaluation Arrangements

41. The Monitoring & Evaluation (M&E) of the project will comprise of multiple but inter-connected set of activities. Together, all these activities will provide regular, concurrent and independent oversight over project implementation.

¹⁹ The WEE-NPP Inter-Ministerial Steering Committee was established in August 2017 under the lead of the Minister, MoLSAMD and Ministry of Women's Affairs (MoWA) with membership of the different implementing ministries for the WEE-NPP, which include MoF, Ministry of Justice (MoJ), Ministry of Public Health (MoPH), Ministry of Education (MoE), Ministry of Commerce and Industry (MoCI), MRRD, Ministry of Urban Development and Housing (MUDH), MAIL and the NSIA.

²⁰ For the existing AREDP districts, a slightly lower ratio of social organizers will be used (namely - a team of 2 female and 1 male SOs for every district and only 2 females after 2 years) since there is already existing capacity there.



M&E will be carried out by experienced staff at national and provincial level. The key M&E activities include the following:

- (a) **Computerized web-based Management Information System (MIS):** The M&E of the project will revolve around computerized web-based Management Information System (MIS), which will be established to track and manage all project monitoring data related to physical and financial progress of the project. The MIS developed under AREDP will be upgraded to ensure accurate and verified information aligned to the requirements of WEE-RDP. This will provide real-time project monitoring provide easy access to information on funds flow, implementation progress, quality and performance of community institutions, etc. Using MIS data, updates to the results framework will be reported on a quarterly basis and put on the project's website.
- (b) **Participatory M&E activities:** A community-based process monitoring system will be established at the village level to ensure the involvement of CDC leaders, SGs members and VSLAs representatives to get direct feedback on project interventions and processes from communities. This will draw on the existing 'community participatory monitoring' (CPM) system that is being rolled out under CCAP.
- (c) **Third Party Monitoring:** The project will also come under the purview of the ARTF third party monitoring mechanism to provide external validation and insights arising from the project.
- (d) **Studies and evaluations:** Additionally, M&E unit of the project would also conduct thematic studies, baseline and impact assessments, and at least one rigorous impact evaluation. These will measure the higher order PDO level indicators and key performance indicators related to effectiveness and impacts of the project. The impact evaluation will measure the causal impact of one or more of the interventions under WEE-RDP (social mobilization, access to finance, and/or employment opportunities) on the well-being of female beneficiaries and their families. The studies are expected to be financed from the project by third-party researchers or agencies, but the team will also seek external financing for such studies where possible.

C. Sustainability

42. **Institutional Sustainability:** Sustainability of community institutions promoted under the project is the key determinant of the success of WEE-RDP. In this regard, WEE-RDP design is built on the experiences and learning from of ongoing AREDP and community driven development and livelihoods program of other countries in South Asia. Systems, processes, as well as the mature institutions established under AREDP in the existing six provinces will be leveraged for implementation of WEE-RDP. Existing social capital in the form of leaders of SGs; VSLAs and BDSPs developed under AREDP will also be used for scaling up of the program in neighboring districts. All community organizations promoted under WEE-RDP will be monitored and assisted until they become self-managed, self-reliant and sustainable institutions. Moreover, these institutions will support the promotion of individual and collective enterprises. Various linkages and partnerships with mainstream public and private institutions would increase their sustainability.

43. **Financial and Economic sustainability:** Seed capital and matching grants provisioned in the project would help in building financial independence for women and a credit profile for their community institutions. These funds will be provided based on an agreed appraisal process linked to milestones and triggers related to their maturity. The project will also invest in building the financial capability of these institutions in terms of financial literacy and debt counselling of members. Eventually, the utilization of these funds on a rotation basis will help the poor and their collective organizations to form an asset base and new income sources for the members of SHGs. These investments would be also helpful in linkages with existing formal financial institutions for leveraging higher investments into rural areas. A system of return in the form of service fee or profit sharing arrangements on capital provided to community institutions will be instituted at the level of SHGs and VSLAs and they will be encouraged to work with conventional financial products. Based



on their institutional strength, these community institutions could potentially also become franchises/agents for various MFIs and banks, which would also contribute to their overall sustainability. The business linkages with actual SMEs and agribusiness firms will also facilitate the sustainability of EGs and PAs. Management, O&M, and marketing plans will be developed and implemented as part of the project's exit strategy. Training will be implemented through, and institutionalized within, appropriate government agencies to ensure sustainability.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

44. **Project Benefits:** Major direct benefits of the project interventions will come from; (i) by developing sustainable community institutions through social and economic mobilization of rural women; (ii) better access to multiple sources of credit for expanding/diversifying WSGs interlinked activities, (iii) improved integration with markets for scaling up EGs and PAs operations, (iv) Participatory identification of targeted poor households, (iii) community-led management of investment funds, and (iv) enhanced skills and employability. In addition, strong community led institutions, backed with a network of VFs and implementing institutions at various levels, will sustain delivery of business services to beneficiaries beyond the project period, which will have long term impacts. Such indirect economic (or multiplier) benefits are likely to be significant but not quantified. To that extent, projected benefits understate the full economic impact of the project.

45. **Benefit/Impact Analysis:** Given the project's 'demand-driven' and 'market-led' approaches, it is difficult to ex-ante predict the project's full impact on employment and beneficiary's incomes but various evaluation studies and assessments of similar programs implemented in Afghanistan and in other South Asian countries have shown that these projects have resulted in an acceptable range of economic and social benefits. Based upon the available data at completion of the AREDP (the similar former project), a wide range of activities have been predicted potentially to be undertaken by women's groups of WEE-RDP and have been used to undertake an economic and financial analysis for WEE-RDP, the details of which can be found in Annex-5. The results of the economic analysis show an average economic internal rate of return (EIRR) of 26.8 %. Likewise, based on the data with the MIS team of AREDP, a financial analysis has been carried out for the categories of the business entities likely to be undertaken by the majority of EGs, particularly the EGs under the project. This yields an average financial return on equity of about 37 % and financial IRR of 25.8 %.

46. **Climate co-benefits:** Afghanistan's agriculture sector is highly vulnerable to climate change and natural/ climate related disasters that affect livestock and agricultural productivity and have the potential to increase poverty in the coming decades. The country's economy is highly dependent on the agricultural sector for poverty alleviation and growth and to support the livelihoods of the rural poor and women who are disproportionately affected by climate change. By targeting the poorest rural households, and women in particular, that are dependent on agriculture for livelihoods and are highly vulnerable to climate shocks, this project aims to reduce their vulnerability to climate change. Empowering women and increasing their access to job opportunities will support greater voice and inclusion of women in the economy, improve their access to financial services that can help weather shocks, and support them to work at a community level to develop economic opportunities that will increase the resilience of livestock and agricultural lands to such changes through the adoption of climate-resilient inputs, technologies and processes. The project will also support EG and PA activities in the agriculture and livestock sectors (among other activities) to reduce energy use, improve carbon pools and increase climate resilience. Rehabilitated agricultural land will increase yields, support better management of livestock and poultry and improve irrigation, cropping patterns and cropping intensity. Investments will support the adoption of modern technologies, including those that support lower emission, climate-resilient agricultural inputs, technologies and processes for relevant EG/ PAD activities. These improvements are estimated to contribute 8,513 tCO₂e



in Green House Gas (GHG) emission reductions over the 20-year life of the project – calculated based on conservative assumptions about expected investments made by EGs/ PAs – and are consistent with the MDB list of eligible mitigation activities (including 4.1 Agriculture, 4.3 Livestock and 9.1 Support to national, regional or local policy through technical assistance or policy lending). GHG emissions will be validated through data collection during implementation (Annex 5).

Other non-pecuniary benefits

47. **Funds and training being proposed under the project are likely to result in increased productivity and incomes, as well as improved management, technical and project implementation skills and resilience to shocks.** In addition, although it is usually difficult to quantify indicators of impact, empirical evidence from various studies suggest that living conditions of poor women and their households improve upon involvement in credit and saving schemes, and undertaking of some income-generating activity. The same studies find that women's income share seems to be associated with household expenditure patterns that are more child-oriented and with improved welfare such as improvements in health, nutrition, and education of children (Haddad et al, 1996). Increased group and HH savings also build resilience to adverse shocks (e.g. medical, drought, etc.).

48. **Benefits of increased awareness of legal rights, health, and nutrition, and environmental conservation issues due to WEE-RDP activities are also expected although these would be difficult to quantify.** A pilot program on community based nutrition will be routed through the project and is expected to lead to improved health impacts. Improved community awareness of gender issues is also an important benefit of this project. Over the long term, women are expected to benefit from increased self-reliance, self-confidence, and their enhanced social status in the family and community. Based on the AREDP experience, women participating in such programs contributed to their better status at home as they can economically contribute to the household. Later at the mid-term review, project impact will be evaluated based on both quantitative and qualitative assessments and utilizing the real database of the project.

49. **Value chain development.** The proposed project will focus on value chains that provide opportunities to transform livelihood, create jobs, and raise women's incomes. The project will adopt a clear criterion to promote enterprise groups and value chains. The selected value chains include commodities that provide strong opportunities to: (a) link women with markets for commodities, food products, and industrial products; and (b) commodities that provide opportunities to improve nutrition outcomes and promote long-term development of human capital.

50. **Maximizing finance for development.** Finally, the project contributes to the objective of maximizing finance for development in several ways. First, by facilitating the exposure and linkages between formal financial institutions and project beneficiaries, the project will contribute to creating a path towards financial inclusion and eventually crowding-in commercial finance for the VSLAs and EGs. Second, as described earlier, Component 3 has been designed to encourage maximum private sector participation in the form of producer alliances and partnerships for technical assistance and business development and the MFD cascade approach will be applied in deciding on provision of catalytic support to EGs and PAs. Finally, the project will be collaborating with other donors, particularly USAID, to bring in their bilateral financing to support different elements of the project, particularly the support to EGs and PAs under Component 3.

B. Fiduciary

(i) Financial Management (FM)

51. **A financial management (FM) assessment of MRRD was carried out for WEE RDP and found that the existing FM systems are capable of proper accounting and reporting of the grant proceeds.** The project FM arrangements rely



on the country systems. Government budgeting processes will apply and the project's budget will be a part of the government's annual budget. The accounting records will be maintained at the central level by MoF in AFMIS based on M16s and the FM department in MRRD will maintain detailed subsidiary records in Quickbooks and the MIS for grants management. The project's financial statements will be prepared in accordance with the Cash Basis IPSAS and audited by the Supreme Audit Office, in accordance with INTOSAI auditing standards. The audited financial statements will be submitted to the Bank within six months of the close of the financial year (FY). The project will submit quarterly Interim Unaudited Financial Report(IUFR) within 45 days of each quarter of a FY. The project will follow its operational manual for daily business. For the FM related issue, the FM manual developed by the Bank will be applied for the project. All the fixed assets purchased under AREDP will be transferred to WEE RDP.

52. **Disbursement will be report-based.** Separate designated account for each grant (ARTF and IDA) will be set up in the central bank (DAB). Designated Account will be denominated in US Dollars, and funds will be front loaded based on six months' cash forecast. Two clearance accounts (CAs) also denominated in USD will be opened at DAB to facilitate control, reconciliation, and traceability of community grants (both the seed capital and catalytic grant). The clearance accounts will not function as a parallel to DAs but a subsidiary of the DAs and it is assumed to have zero balance. A separate account will be opened for each VSLA and both the community grants ('seed capital' under component 2.1 and 'catalytic grant' under 3.2) will be transferred through VSLAs' special account. VSLA's will have a centric role of community grant management on the ground as well as in the project's management information system (MIS) database. There will be two separate records for accounting records of the project and the grants management, integration of the both records will be made up to the level possible by including cross referencing in the MIS. The development of this integrated MIS has been included as a disbursement condition for the two types of grants.

53. **There are however certain weaknesses in MRRD that can limit either the assurance on use of grant proceeds or achievement of project objectives.** Following are some of the examples of the weaknesses identified: i) under the CCAP the Maintenance and Construction Cash Grants (MCCGs) were documented with the Bank based on actual withdrawal by the communities and a system for its reporting was agreed upon. However, there have been delays in reconciliation of these operational advances. A system to record and reconcile these more rapidly is being applied for CCAP and would need to be followed in WEE-RDP ii) The assets management policy at MRRD is not fully developed. As a result, projects in MRRD, which are implemented in sub offices across the country, have large volumes of fixed assets which are not managed properly due to the lack of a fixed assets policy. The corrective measures will include implementation of the new FM Manual developed by the Bank, which will cover fixed assets management. Refer to Annex 9 for further details.

(ii) Procurement

54. **The major procurement under the project will be for the FPs:** The hiring of FPs for social mobilization under Component 1 constitutes the largest share of procurements (approx. \$11 million) under the project. Apart from this the main items for procurement include goods, equipment, and hiring of various technical agencies to provide training and business development support functions (especially for Component 3). The project shall carry out procurement in accordance with the World Bank's "Procurement Regulations for IPF Borrowers" (Procurement Regulations) dated July 1, 2016 and revised in November 2017 under the "New Procurement Framework (NPF), and the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated July 1, 2016, and other provisions stipulated in the Financing Agreements. The latest versions of the World Bank Standard Procurement Documents shall be used. The project shall utilize the World Bank's Systematic Tracking of Exchanges in Procurement (STEP), an online tool, for planning and tracking of all prior and post review procurement transactions.



55. **The current capacity and system in MRRD's Procurement Directorate (PD) needs to be strengthened.** Since the PD will be carrying out procurement for the WEE-RDP, the Bank will work closely with them to prepare a capacity building plan for the PD and to provide trainings on WB procurement processes. Efforts are being made to increase the capacity of the procurement directorate through hiring more qualified procurement staff, hand-holding and capacity building on World Bank Procurement systems. Additional elements on procurement are described further in Annex-8.

C. Safeguards

56. **Environmental Safeguards:** OP/BP 4.01 is triggered for WEE-RDP project. Under component 1.1, 2.1 and 3.1, the project is intended to develop WSGs/VSLAs/EGs and PAs who would be provided with access to funds by multiple agencies. The funding would lead to village/community level businesses in various selected provinces. Although, the scope and nature of these businesses are not known at appraisal stage, however it is predicted that, such businesses may have minor health and safety issues. The environmental safeguards risk rating for WEE-RDP is thus Moderate: due to insignificant negative impact on health, safety and environmental aspect from the project related operations – and hence the project is an Environmental Safeguards Category-B. OP/BP 4.09 on Pest Management is also triggered as agricultural activities supported under Component 3 could lead EGs and PAs to use pesticides for agriculture related works and agribusiness related activities. To manage the environmental and social safeguards (ESS) issues during the project implementation stage the client has adopted a framework approach and prepared an environmental and social management framework (ESMF), which has been disclosed on 25/08/2018, consulted with stakeholders on 21/06/2018 and clearance has been obtained from the WB. The ESMF has necessary provisions to prepare required safeguards mitigation measures including an Environmental and Social Management Plan (ESMP) and checklist to affectively address risk related issues during project implementation. MRRD will also prepare an Pest Management Plan (PMP) during implementation to mitigate the risks from this and the disclosed ESMF includes a TOR for its preparation. The final PMP will be subject to review by the Bank, consulted, and disclosed during implementation and a dated covenant for its completion and disclosure is included in the legal agreement to ensure that it is ready before EG grants are disbursed.

57. Based on the experience of similar projects, notably AREDP, most of the communities in the selected villages have no capacity/awareness to tackle risks associated with the day to day businesses under planned SGs/VSLAs. However, MRRD as an implementing agency has years of experience with similar projects and is therefore expected to provide the required technical assistance and capacity building to ensure that the provisions in EMSF are implemented. The project will hire an ESS focal officer at HQ level, as well as appoint safeguards focal points at each provincial level, the terms of references (TOR) for whom will need to be approved by the Bank before recruitment.

58. **Social Safeguards:** The World Bank's operational policy on Involuntary Resettlement (OP 4.12) is not triggered, since the project will not have land acquisition and resettlement. In case of any land requirement, the ESMF will provide guidelines and provisions on land acquisition through the "willing buyer-willing seller" approach, or the GoIRA would provide government land to the community for sub-project implementation, requiring no resettlement and/or compensation for losses, and the land should be free of squatters and any dispute. Sub-projects activities under the project are not expected to have major adverse social impacts. Systematic involvement of the local community throughout the planning and implementation of sub-projects will underpin the identification of potential negative social impacts and corresponding mitigation measures to be included in the ESMPs. The ESMF will guide the preparation of any Social Impact Assessments (SIA) and ESMPs, if required. As the project is owned, designed, implemented, and supervised by the MRRD (a Government Ministry), the OP/BP 4.03 on Performance Standards for Private Sector Activities does not apply. The project will nonetheless work towards ensuring that strong labor standards are followed. In this regards, the project will update and refine the 'child labor' strategy that had been used under AREDP. Training on labor



safety will also be part of the training for EGs/PAs.

59. **Gender:** WEE-RDP is primarily designed to reduce the gender gap in the voice and agency, social and economic participation, and access to finance of rural poor women. All the interventions designed under different components of the project directly contribute to closing the aforementioned gender-gaps, and the project has specific indicators to measure the progress towards these interventions. Considering the social and cultural norms in the country and restrictions faced by women, the implementation arrangements of the project is highly gender sensitive in terms of implementation approaches (involving men, and careful and comprehensive social mobilization methods), staffing (focusing more on female staff), training and capacity building. On the later, among technical trainings the beneficiaries will receive a number soft-skills trainings such as behavior change communication, conflict resolution, and other life-skills trainings which are expected to reduce the risk of GBV; a possible negative impact of the women's economic empowerment (see risk section below). Furthermore, efforts will be made to work closely with CDCs to raise awareness among community members especially men on GBV and its negative impacts on the household and community.

60. **Citizen Engagement (CE):** The CE will form an integral part of project implementation to enable an effective two-way interaction between citizen and government. Citizen Engagement under Project will include: (i) effective consultations, (ii) establishing a functional grievance redress mechanism (GRM) and explore the way to integrate it with CCAP GRM system, (iii) community participatory monitoring (CPM) through social audits and other tools, and (iv) establishing a real interaction between beneficiaries, NGOs and the government. For (iii) the project will piggy-back on the several CPM tools that have been set up in CCAP. Transparency will be ensured through the revamped MIS and information on funds transfer will be given to all SHGs/VSLAs so that women are aware of what has been transferred and when. The key CE indicator that will be tracked is: % of grievances raised in the GRM that are addressed

61. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

V. KEY RISKS

62. **The overall risk rating for this Project is substantial.** This is due to the country's fragile security environment, limited government capacity especially at the sub-national levels, overall fiscal uncertainties, and declining foreign aid. Furthermore, the Project runs the risk of not being able to sustain the local community institutions and enterprise groups created under the project. Given a unity government and an upcoming cycle of both Parliamentary and Presidential elections, the risk of political instability remains high. Although, the GoIRA is committed to reforms, improving governance, and tackling corruption, these actions could also increase political uncertainty. The Systematic Operations Risk-rating Tool (SORT) records the key ratings with regards to various aspects of project design. The explanations behind those ratings as well as additional risk factors and associated mitigation plans are provided below.



63. **Coordination challenges:** WEE-RDP being part of WEE-NPP framework needs to co-ordinate with multiple ministries and agencies during implementation, which could potentially slow down the overall implementation process. The associated risk will be minimized through regular meetings of inter-ministerial steering committee and information sharing. Further, a joint action plans with the relevant department/Ministries will be worked out at the beginning of every year to reduce co-ordination failures and challenges.

64. **The stakeholders risk is rated Substantial** as the project plans to make linkages with both financial institutions and private sector players. However, the outreach of commercial banks and MFIs in the country is very limited - in fact, there are several provinces/districts where there are no bank branches, and MFIs do not operate. Moreover, there are limited financial products and services available with most MFIs and Banks. To mitigate these weaknesses, the project will facilitate the establishment of up-front institutional linkages and partnerships with regulated financial institutions. The project also proposes to work with the financial inclusion department of DAB, with MISFA, and the WB supported A2F project to develop new products and tools to suit the requirements of communities and promote efficiency.

65. **The risks related to the technical design of the project are rated Substantial** because even though AREDP has been implementing community based enterprise development program for the last 8 years, the changes being proposed in terms of applying a saturation approach, VSLA sustainability, access to finance, business linkages and the simple fact of targeting women make the technical risk elevate. This risk will be mitigated by drawing in several partners and TSAs to support implementation. There is also strong interest and enthusiasm among the key stakeholders including various donor communities about the overall design of WEE-RDP. The SWEEP pilot funded by the Japan Social Development Fund (JSDF) and implemented by the Agha Khan Foundation (AKF) will be also utilized to field-test new ideas and initiatives and will inform the overall implementation of WEE-RDP.

66. **Institutional capacity for implementation and sustainability is rated Substantial.** The first level of risk comes from MRRD restructuring and alignment of various programs to different pillars, which makes the implementation arrangements a little uncertain. Further, AREDP had a limited experience to work with FPs and financial institutions, which requires intense supervision and monitoring, networking, and liaison skills. To mitigate the implementation capacity risks, the project plans to have an implementation structure consisting of competent staff with relevant professional skill sets to provide technical inputs. A close association with CCAP, which has historically worked with FPs would add to the capabilities of WEE-RDP. Moreover, the project will enhance its institutional capacity through a twining arrangement with one of the similar project in India and hiring of TSAs for roll out of various components.

67. **Macroeconomic stability and financial intermediation.** Lines of credit do not work well when there is a high level of uncertainty, created in part by macroeconomic problems (such as high inflation, uncertainty on government fiscal and monetary policies) and a history of favoritism and corruption that leads to large unproductive investment projects that might drive macroeconomic stress. The team recognizes this risk and rates it as Substantial in the SORT template. According to the Economist Intelligence Unit country report, there are several potential inflationary pressures – refugees returning from Pakistan, energy prices, and food prices, linked to security issues. However, the IMF estimates a 5% inflation rate in Afghanistan in 2018. This risk threatens the sustainability of the financial intermediaries and should be mitigated through affordable pricing of loans to the client group.

68. **Climate and Disaster Risks:** The project has been screened for climate risk using the WBG's Climate and Disaster Risk Screening Project Level Tool²¹. The outcomes of the screening indicate that historic and future exposure to climate

²¹ The tool is available here: <http://climatescreeningtools.worldbank.org/>



and geophysical hazards is significant for the project location. Regarding extreme temperature, analyses of historic climate data at the country level provide evidence that the "heat is on": an increase by 1.7-2.0°C in mean annual temperature between 1901 and 2007 has been measured across the country. Regarding extreme precipitation and flooding, the review of historic data shows that seasonal mean rainfall has decreased while extreme rainfall event has become more frequent. Rainfall projections for 2030s show increase in rainfall magnitude. With regards to drought, 3 out of the 5 years preceding the project preparation saw the country affected by severe droughts. Frequency and duration of droughts are expected to increase based on observed trends. The project's focus on enhancing climate resilience in agriculture is expected to lower the impact of the sector's exposure to projected extreme temperature, extreme precipitation and flooding, and drought. The scaling-up under the project of climate-resilient technologies and agronomic practices is projected to moderate the impact on the project's investments in key areas, i.e. irrigation and drainage, crops and land management, and post-harvest management. Similarly, it is expected that the project's emphasis on capacity enhancement of EGs/PAs will significantly strengthen the adaptive capacity of stakeholders.

69. Other risks (gender based violence): While economic empowerment can substantially improve the well-being of women and their families, it can also affect the risk of gender-based violence (GBV), particularly from male partners. Increased money in the hands of women could increase violence (1) if violence is used as an extractive mechanism; or (2) if there is male backlash in response to changing intra-household gender roles. On the other hand, increasing women's access to money can reduce poverty-related stress and the frequency of negotiating money with men, both common triggers of violence. A recent review of global empirical evidence (Buller 2018) found no consistent impacts in either the positive or negative direction²². While the global evidence suggests both positive and negative links between WEE and GBV, the project notes the lack of evidence in Afghanistan and includes provisions to prevent and respond to GBV. The experiences of similar programs in South Asia suggest that women SHGs and their federations provide confidential spaces where participants feel comfortable to disclose such experiences and take collective action in response. Moreover, the project explicitly recognizes the role of men in achieving the project objectives and promotes the formation of men's SHGs to reduce the risk of backlash. A specific module on gender based violence will be added in the staff training to ensure that all project staff are equipped to prevent, identify, and respond to any reports of GBV during project implementation.

²² Buller et al (2018) reviewed 12 experimental and 2 non-experimental studies that measured the impact of cash transfers to women on intimate partner violence (IPV). Overall, across the 56 different violence outcomes that were analyzed, 20 (or 36%) were statistically significant and negative (at 90% confidence or higher), and only two percent were significant and positive. The remaining 63% showed no significant change in IPV due to the CT (Buller et al, 2018, UNICEF). Other studies looking at the GBV and WEE interface include: (i) *Perspectives on Gender-Based Violence and Women's Economic Empowerment in Sub-Saharan Africa: Challenges and Opportunities*, Author(s): Mejia C, Cannon A, Zietz S, Arcara J, Abdur-Rahman A; Year: 2014; and (ii) Pande, R. P., Nanda, P., Bopanna, K., & Kashyap, A. (2017). *Addressing Intimate Partner Violence in South Asia: Evidence for Interventions in the Health Sector, Women's Collectives, and Local Governance Mechanisms*. New Delhi: International Center for Research on Women.



VI. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Afghanistan

Women's Economic Empowerment Rural Development Project

Project Development Objectives(s)

To increase social and economic empowerment of poor rural women in selected communities.

Project Development Objective Indicators

Indicator Name	DLI	Baseline 2019	End Target 2023
Social empowerment of poor rural women in selected communities			
Number of Direct Beneficiaries (Number)		56,128.00	450,000.00
Number of Direct Female Beneficiaries (Number)		31,309.00	350,000.00
Share of women SHG members from poor or vulnerable households (Percentage)		0.00	60.00
Economic empowerment of poor rural women in selected communities			
Beneficiaries reached with financial services (CRI, Number)		56,128.00	450,000.00
Percentage of women EGs/PAs showing increase in real value of sales (Percentage)		0.00	60.00

Intermediate Results Indicators by Components



Indicator Name	DLI	Baseline 2019	End Target 2023
Community Mobilization and Institution Development			
Share of women from selected communities mobilized into Self-Help Groups (SHGs) (Percentage)		0.00	70.00
Eligible Women's SHGs federated into village-level primary federations i.e. VSLAs (Percentage)		5.00	80.00
Women SHGs engaged in social activities apart from savings (Percentage)		0.00	70.00
Access to Finance			
Net aggregate savings mobilized (Amount(USD))		5,257,039.09	15,000,000.00
Number of SHGs that have received a grant (Number)		0.00	36,000.00
Number of VSLAs that have received a grant (Number)		0.00	4,500.00
Number of SHG/VSLA members taking a loan (Number)		22,571.00	150,000.00
VSLAs achieving operational self-sufficiency of 100% (Percentage)		0.00	30.00
VSLAs with Portfolio at risk (PAR) under 5% (Percentage)		0.00	30.00
Female first-time users of formal financial services (Number)		0.00	30,000.00
Enterprise Development and Market Linkages			
Beneficiaries of job-focused interventions (CRI, Number)		5,455.00	30,000.00
Beneficiaries of job-focused interventions - Female (CRI, Number)		3,864.00	25,000.00
Women supported by the project engaging in income-generating activity (Text)		TBD	TBD (to be double of baseline)
EGs/PAs having established business partnership and linkages with private sector firms/SMEs (Percentage)		4.00	30.00
Project Management			
Grievances raised in the Grievance Redressal Mechanism that are addressed (Percentage)		0.00	80.00



Indicator Name	DLI	Baseline 2019	End Target 2023
Number of Project Staff trained in various aspects of project management (Number)		0.00	200.00

Indicators to be Mapped	Baseline 2019	End Target 2023
PDO Indicators		
% of women from poor and ultra-poor households mobilized into savings groups (SGs) and are federated into financially viable and sustainable organizations i.e. VSLAs; (Amount(USD))	0.00	0.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of Direct Beneficiaries	Total number of beneficiaries, including all individuals who are members of an SHG and/or EG. The total number of beneficiaries will also be disaggregated into the following categories: people with disabilities, kuchis, and widows. Baseline value includes AREDP beneficiaries.	Quarterly	MIS and progress reports		MRRD



Number of Direct Female Beneficiaries	See description of parent indicator. Baseline comes from AREDP.				
Share of women SHG members from poor or vulnerable households	This indicator measures the proportion of all women SHG members who come from poor, ultra-poor, or vulnerable households. The classification of poor, ultra-poor, and vulnerable is based on Citizen's Charter well-being analysis, and this indicator will only be measured in CDCs where such well-being analysis exists. Baseline value not available.	Annually	Project MIS	Comparison of women SHG member's profiles with CDC well-being analysis.	MRRD
Beneficiaries reached with financial services		Quarterly	Project MIS	For this project, "financial services" includes SHGs, VSLAs, and/or accounts with MFIs or other formal financial institutions. Baseline comes from AREDP.	MRRD
Percentage of women EGs/PAs showing increase in real value of sales	Total value of all sales, adjusted for inflation, to be measured annually for women EGs and PAs. This indicator will measure the year-on-year change in the	Annual	Project MIS and/or specialized surveys	Project reporting and/or Survey of a sample of women EGs and PAs.	MRRD



	value of total sales for each EG and PA. The numerator is the number of women EGs/PAs showing any increase in annual sales from the previous year. Newly formed EGs will be excluded from the calculation in the year of their formation (because their sales were zero in previous year).				
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Share of women from selected communities mobilized into Self-Help Groups (SHGs)	The percentage of total women in each project community who join a self-help group, averaged across all project communities. Denominator is the number of adult women aged 18 to 55 residing in project community. Baseline value not available.	Annually	project MIS and/or CCAP data at CDC level	Comparison of project data on number of beneficiaries with the total adult female population of the community. This indicator will be measured in communities where population figures are available (e.g., CC communities). At mid-term, it will also be measured in a sample	MRRD



				of non-CC communities.	
Eligible Women's SHGs federated into village-level primary federations i.e. VSLAs	This indicator measures the proportion of women SHGs that have become eligible and have joined VSLAs. The baseline value is based on 2057 women SGs federated into VSLAs under AREDP. The denominator is 45000 (target number of SHGs under WEE-RDP).	Annually	Project MIS		MRRD
Women SHGs engaged in social activities apart from savings	This indicator measures the non-financial activities of women SHGs. A list of eligible social activities will be developed and tracked by the project, including social gatherings, community service, etc.	Quarterly	Project MIS and/or progress reports	Project staff to collect information on non-financial activities of women SHGs. Activities by VSLAs at community level will also count toward this indicator.	MRRD
Net aggregate savings mobilized	This is defined as the net aggregate position of savings contributed by active and standby SHG members to SHGs, as of a certain date. Baseline value is based on total savings mobilized under AREDP.	Quarterly	Project MIS	SHG and VSLA books of accounts	MRRD
Number of SHGs that have received a grant	This is the number of male and female SHGs formed under WEE-RDP that have received a seed capital	Quarterly	Project MIS		MRRD



	grant. If one tranche is received, the group is counted. Existing SHGs formed under AREDP will not receive a grant. The end target is based on 90% of the 40,000 newly formed SHGs receiving a grant.				
Number of VSLAs that have received a grant	This indicator measures the number of VSLAs formed under WEE-RDP that have received a seed grant. If at least one tranche of the grant is received, the VSLA is counted. Existing VSLAs formed under AREDP do not count toward this indicator. The target is based on 90% of the 5000 WEE-RDP VSLAs receiving a grant.	Quarterly	Project MIS		MRRD
Number of SHG/VSLA members taking a loan	This indicator measures the number of SHG or VSLA members that have taken an individual loan. Baseline value is the number of women AREDP beneficiaries who took a loan.	Quarterly	SHG and VSLA books of accounts, Project MIS		MRRD
VSLAs achieving operational self-sufficiency of 100%	Operational Self Sufficiency of 100% measures how well the VSLA covers its direct costs through internally generated income. Baseline	Annually	Project MIS, and/or third party VLSA assessment		MRRD and/or third party



	not available.				
VSLAs with Portfolio at risk (PAR) under 5%	Portfolio at risk (PAR) of <5% measures the health of the portfolio after applying industry standards of asset classification and provisioning regulations. This indicator measures the proportion of VSLAs under the project with a PAR of under 5% at the time of assessment. Baseline not available.	Half-yearly	Project MIS and/or specialized studies	VSLA assessment	MRRD and/or third party firm
Female first-time users of formal financial services	Number of women beneficiaries who open an account with a formal financial institution either through their VSLA or individually, plus the number of women beneficiaries who receive a loan from a formal financial institution either through their EG or individually.	Annually	Project MIS and/or specialized surveys		MRRD and/or third party
Beneficiaries of job-focused interventions		Quarterly	MIS and project reports	This indicator will capture the number of beneficiaries, both male and female, who are members of EGs or PAs. Baseline from AREDP.	MRRD



Beneficiaries of job-focused interventions - Female				See description of parent indicator.	
Women supported by the project engaging in income-generating activity	This indicator measures the proportion of female project beneficiaries who are engaged in any income-generating activity. It will capture a wide range of productive activities, including own-farm or livestock work, contributing work in a family business, informal self-employment, and formal wage or self employment. The baseline figure will be measured in the first year of the project using the member profile. It will be subsequently measured in periodic surveys on a sample basis.	Baseline, Mid-term and end-term	Member registration form, HH Surveys & Impact studies.	This will be measured using a subset of the standard questions used in the Afghanistan Living Conditions Survey to measure employment.	MRRD and/or third party survey firm
EGs/PAs having established business partnership and linkages with private sector firms/SMEs	This indicator measures the proportion of EGs/PAs that have established at least one business partnership or private sector linkage. Examples include forward contracts or advance purchase agreements with	Half-yearly	Project MIS and progress reports		MRRD



	public or private sector entities.				
Grievances raised in the Grievance Redressal Mechanism that are addressed		Half-yearly	Project MIS and/or reports	Reports, ICT tools	MRRD
Number of Project Staff trained in various aspects of project management	The project team will define the areas in which project staff will get trained. Staff members who receive multiple trainings will only be counted once.	Half-yearly	Progress reports	MRRD	



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Afghanistan

Women's Economic Empowerment Rural Development Project

Strategy and Approach for Implementation Support

1. The implementation support offered by the World Bank task team is very critical for the successful and effective implementation of WEE-RDP. The implementation support will be based on the experiences of AREDP and focus on various risks and challenges identified in the SORT risk matrix. The support will consist of: (a) half yearly implementation support missions; and (b) technical assistance in the areas of weaknesses and building various partnerships, documentation of lessons learnt from implementation challenges and scaling of best practices.
2. The task team involved during the design of the project will continue to provide implementation support to the client. The current world bank task team is a multidisciplinary and multi-sectoral team consisting of members of various GPs e.g. GSUR; GFADR; FCI and others. During the initial roll out of the project such supports will be much more intensive and technical team based out of Kabul; Dubai and Delhi will continue to guide the team not only during the official semi-annual mission but between mission support and visits as well. This will be further supplemented by the occasional missions from subject specialists from Washington, DC.
3. It is important to highlight that high security threats pose formidable challenges to not only smooth implementation of the project but to the necessary implementation support offered by the task team. The deteriorating security situation does not allow the task team to make field visits and have direct interactions with community members and representatives, which limits the exposure to grass root realities and emerging implementation challenges and will have to be dependent mostly upon feedbacks from project client team and implementation partners. In such situation, the role of a third-party monitor (TPM) arrangements becomes very critical and therefore the existing TPM structure in ARTF will be drawn in for WEE-RDP. Finally, implementation support will adopt a flexible approach with continuous adjustments with changing security situations.

Implementation Support Plan and Resource Requirements:

4. Half yearly implementation support missions (ISMs) will set priorities and direction for program implementation. These missions will specifically focus on reviewing quality of implementation, capacity of implementing agencies, finding solutions to implementation challenges and reviewing of disbursement projections. Additionally, the project's fiduciary aspects e.g. FM arrangements and procurement assignment undertaken will be reviewed along with compliance of project activities with the environmental and social safeguard policies. The Bank FM, procurement staff and social and environment safeguards person will also join regular implementation support missions of WEE-RDP to build the capacity of client as well as to ensure compliance. At the end of every mission, results achievements against the set targets and goals mentioned in the Results Framework will be presented in the implementation status and results (ISR) report.
5. A midterm review of the project will be conducted after two and half years of project implementation, which will cover comprehensive assessment of the progress achieved at the mid-point of project implementation and will provide an opportunity to reflect upon the project design issues and whether any adjustments required.



6. **Procurement:** Experiences suggest that most of the implementation hiccups during initial year of project implementation takes place due to not able to recruit suitably qualified human resources and delays in initiating critical procurement assignments. The local procurement team based out of World Bank Kabul office will work closely with MRRD procurement directorate and in-situ capacity will be built for carrying out such assignments effectively and in a time bound manner. The task team will also facilitate a development of community procurement manual for the quick and easy reference of procurements undertaken at the community institution level.

7. **Financial Management.** The Bank task team will provide the needed training and hands-on support on a routine basis, especially to the concerned MRRD staff who have not previously worked on the World Bank-funded projects and help them in timely submission of IUFs; developing strong financial management systems and smooth fund flow and proper accounting. As a large part of the project funds will be transferred to community institutions, a system of sample audit of use of funds at the community institutions will be instituted jointly with MRRD.

8. **Social Staff.** Formal supervision will include suitably qualified social expertise that will concentrate as needed on issues of mobilization of Kuchie tribes, vulnerable and marginalized HHs, local social conflict, integration of refugees & IDP and citizen’s engagement.

9. **Safeguards.** MRRD has significant experience of implementing various world bank projects and over a period of time it has built internal capacity in both environment and social safeguards measures. However, due to high attrition of staff and rotation of responsibilities, regular training and capacity building support will be extended to concerned staff specially to sensitize provincial and district staff on various requirements of safeguards policies and required mitigation measures. A simplified manual for the use of community institutions will be prepared for the effective and sustained use of these policies at the grass-root level.

Table 1: Main focus in terms of implementation support

		Skills Needed	Resource Estimate
Annually, Yrs 0-5	<ul style="list-style-type: none"> ▪ Work-planning, setting up implementation architecture at all levels; Implementation progress review, Operation Manual, training materials, RF tracking and project roll-out. ▪ Enabling ecosystems; Building partnerships with technical agencies, financial institutions, and government agencies ▪ Documentation and scaling up of best practices ▪ Capacity building and mentoring of staff at all levels on procurement, FM, M&E, and safeguards ▪ Review and clearance of documents ▪ Review FM and disbursements ▪ Prior and post review of Procurement 	<ul style="list-style-type: none"> ▪ CDD, operations ▪ HR and Training ▪ FM specialist ▪ Procurement specialist ▪ E&S Safeguards specialist ▪ CDD; Social Development agriculture, ▪ Finance and Market (FCI); Private Sector ▪ Rural enterprise ▪ M&E 	Fees & Travel: <ul style="list-style-type: none"> ▪ TTL: 40 staff weeks (SWs) Co-TTL: 30 SWs ▪ FM Specialist: 10 SW ▪ FM Consultant: 2 SW ▪ Procurement Specialist: 8 SW ▪ E&S Specialists, 6 SW total ▪ Sectoral staff cross-support: 20 SWs ▪ M&E Specialist: 4 SW STCs: 20 SWs



	<ul style="list-style-type: none"> ▪ Review E&S risk management. ▪ Social Development; Agriculture & rural Livelihoods; Finance and Markets; Rural enterprise and private sector ▪ M&E Support 		
Mid-Term in 2020	▪ Mid-Term Review	Task Team, external staff and experts	▪ 20 SWs
Completion in 2023	▪ Implementation Completion Report	External team with support from Task Team	▪ 30 SWs

Table 2 Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips (annually)	Comments
Overall coordination and task management	20 SWs annually	10 regional	TTL based in Dubai
Technical specialists	2–3 SWs per specialist annually	3-4 International	
FM	6 SWs annually	2-4 Regional	Based in Kabul
Procurement	8 SWs annually	6-8 Regional	Based in Kabul
Safeguards (E&S)	6 SWs annually	4 Domestic	Both environment and social specialists based in CO
	4 SWs annually	2 International	



ANNEX 2: Detailed Project Description

COUNTRY: Afghanistan

Women's Economic Empowerment Rural Development Project

1. The WEE-NPP is comprised of six pillars and is being implemented by different ongoing and pipeline projects under various line ministries. The WEE-NPP encompasses two domains of action. Facilitating activities (the first two pillars) include reforms that improve the regulatory and normative environment for women’s economic development, and investment activities (the last four pillars) include projects and programs that provide resources directly to women. In this way, the six WEE-NPP pillars focus on: (i) increasing the availability and analysis of gender statistics; (ii) removing legal and regulatory barriers to participation; (iii) training in literacy, business management, and labor skills; (iv) ensuring sustainable and inclusive access to finance; (v) improving access to agricultural inputs, extension services, and markets; and, (vi) promoting access to creative economy markets. Within each of these pillars are sub-activities – for instance, under the pillar on ensuring access to finance, are three priority actions: (a) increasing access to a menu of financial services including credit for women undertaking activities in agriculture or creative industry through associations and cooperatives; (b) increasing access to credit through village savings groups (SG) and community-level interventions such as revolving funds; and (c) identifying and eliminating institutional constraints to women’s access to formal banking.

2. The proposed women’s economic empowerment rural development project (WEE-RDP) will directly contribute to the last four pillars of WEE-NPP, while contributing to the others (see figure-1 below). It offers a national framework for women’s economic empowerment starting at the community level and with an explicit targeting of poor rural women. As acknowledged in the WEE-NPP document, past efforts at women’s economic empowerment have often focused on better-off, urban women. WEE-RDP reverses this approach by focusing on poor rural women.

Figure 1: Pillars of WEE-NPP and focus of WEE-RDP

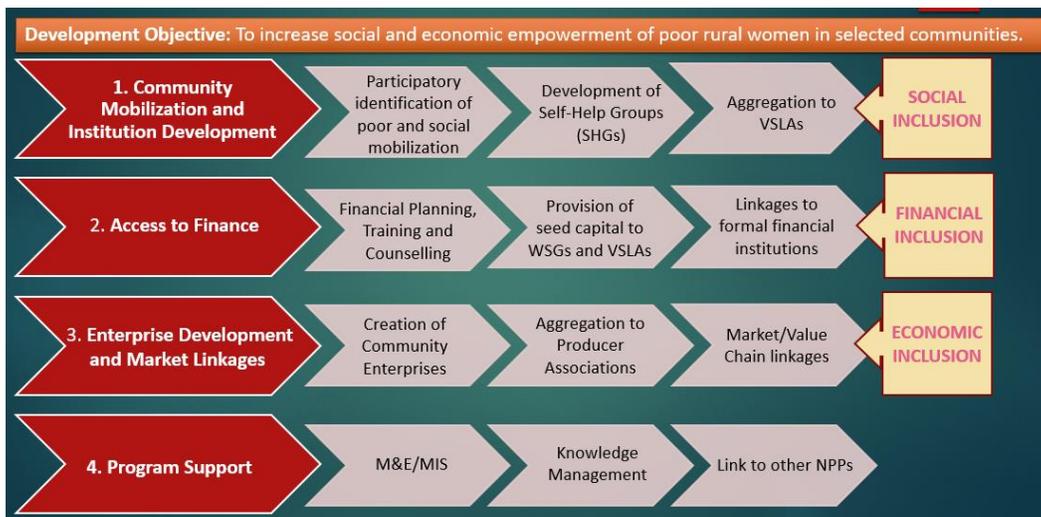


3. Core elements of WEE-RDP design: Based on the goals outlined in the WEE-NPP, the WEE-RDP has three core intervention tracks – one around social mobilization to develop women’s community institutions and federating them to higher levels; the second dedicated to providing sustainable and inclusive access to finance, and the third focusing on enterprise development and value chain/market linkages. These would be supplemented with program support that



would also link back to both the WEE-NPP and the CCNPP (see figure-2 below). This ‘institutional approach’ to empowerment of women has proven very successful in rural livelihoods projects in other South Asian countries, notably in India, since it builds on the social capital of poor women and uses this to develop both financial and economic capital. The overall approach and functions are similar to what existed under the AREDP, but the fundamental shifts would be (i) specific design features to promote participation of poor women; (ii) a more prominent role of social mobilization (with a goal of ‘saturating’ as many women into savings/self-help groups as possible, of which a subset would receive enterprise support); and (iii) a stronger focus on building sustainable community institutions for women’s agency and empowerment.

Figure 2: Core Elements of WEE-RDP Design



COMPONENT-1: Community Mobilization and Institution Development (est. US\$ 30 million)

4. **Overall focus:** The first component of the WEE-RDP aims to build sustainable community institutions through social and economic mobilization of rural women. This is perhaps the most critical component of the project, since it lays the institutional foundation on which the rest of the activities will depend. The formation of sustainable institutions would build the social capital of women in the rural areas and serve as the first stage of their economic empowerment. The core community institutional framework envisaged under the project are women’s self-help groups (SHGs) which would be federated into VLSAs. From these would emerge community level enterprise groups (EG) which in turn would be aggregated to producer associations (PAs) as shown in figure-3 below.

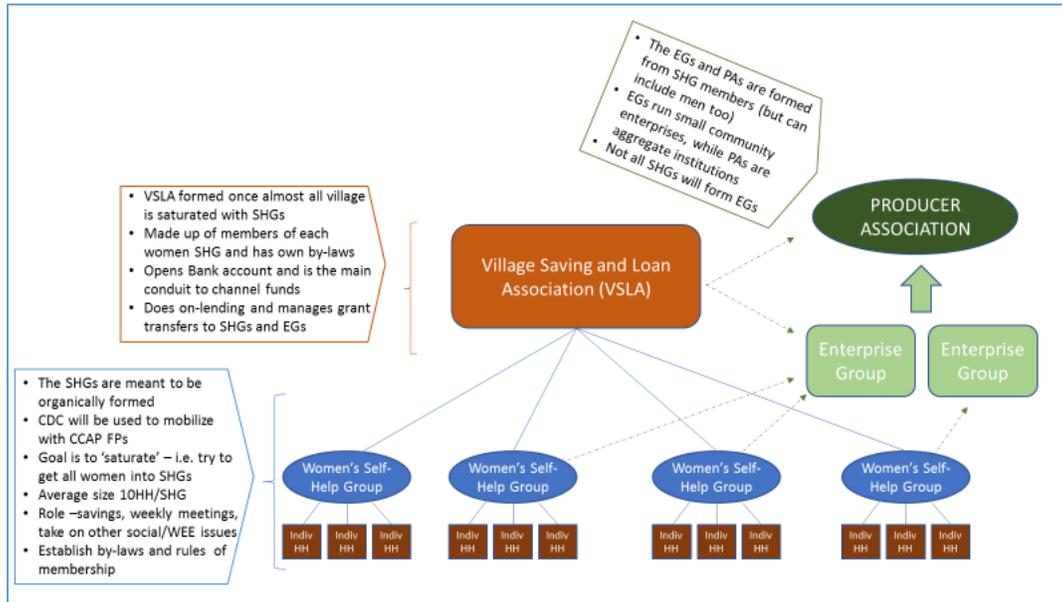
5. **Saturation approach:** The project will use a principle of ‘saturation’ with regards to community mobilization. By ‘saturation’ the objective is to ensure that as many women/households in any rural community are mobilized into SHGs as possible²³. Such an approach has shown several benefits in other countries in the region (such as India) since it ensures greater scale, self-selection of households into ‘like/homogenous’ groups (hence avoiding elite capture), and leads to more empowerment, ownership, and social capital for women in their communities. In a context of widespread poverty (55

²³ It is important to realize that in most cases a 100 percent coverage of all households will likely not be possible, but nonetheless the effort to reach a 100 per cent of the households will be made. The actual target for mobilization has been set at 70% for this reason. Note also that only one woman per HH will be allowed to become a member in any specific SHG, although different women from the same HH could be members of different SHGs.



percent overall and 59 percent in rural areas), a saturation approach also ensures that the project reaches poor women. There are also challenges of applying this principle which need to be kept in mind – since not everyone would willingly mobilize into SHGs (due to social norms, past bad experiences, or simply poverty²⁴), and the level of effort to reach left-out households would be significantly more as time progresses. However, the saturation approach does provide a good starting point and overarching principle for social mobilization in the project. Existing groups promoted by various organizations, civil society organizations e.g. AKF; Afghan Aid; UN-Habitat etc. in the project areas will be brought under the fold of WEE-RDP, wherever possible, as part of this inclusive approach.

Figure 3: Main community institutions being developed under the Project



6. **Two strategies for mobilization:** The project will utilize two strategies to achieve the social mobilization required to put together the core community institutions (namely SHGs, VLSAs, EGs, and PAs). The first would be to leverage the experience of CCAP Facilitating Partners (FPs), in areas where CCAP operates. For this, the project will recruit capable FPs to work in WEE-RDP districts already under CCAP. These FPs would benefit from a range of social mobilization and poverty targeting activities²⁵ already done by CCAP and work with established Community Development Councils (CDCs) in these communities. By building on their established framework for community mobilization, the WEE-RDP can operate faster and more cost effectively in these communities. The FPs will therefore continue the CC mobilization effort by introducing a WEE-RDP focus, provided they have the capacity for undertaking these tasks. The second complementary strategy for social mobilization will be to extend/continue the current operation platform of AREDP using individual Village Facilitators (VFs), Social Organizers (SOs) and District Facilitators (DFs). These have successfully mobilized the community to establish SHGs, and other community organizations under AREDP and undertake basic livelihood mapping and community profiles. Having these two mechanisms for social mobilization would not only leverage the experiences of both existing programs

²⁴ For the ultra-poor, the proposed mobilization may not work since they are not at the stage where they can effectively save in SHGs regardless of the amount. In such cases, the project will partner with other initiatives such as the “Targeting the Ultra-Poor” (TUP) program under MISFA, where possible, to try and get more ultra-poor women mobilized into the SHGs and VSLA.

²⁵ This includes participatory rural appraisal (PRA) tools such as preparation of community resource and social maps, a ‘leaking pot’ analysis to probe on income-expenditure patterns, a ‘well-being’ analysis to classify wealth groups (including identification of the ‘poor’ and ‘very poor’ households), women’s mobility maps, etc.



(CCAP and AREDP), but allow for a comparison of models to see which is more cost-effective, impactful, as well as sustainable in the longer term.

7. **Involving men for women's empowerment:** Given the socio-cultural context in Afghanistan, even though WEE-RDP is a women-focused project, it will nonetheless involve men in different ways. CDCs in each community that have at least half male representation will be used as entry points to provide legitimacy and community-wide ownership for the project. Likewise, some male groups (max. 20%) will be allowed to be set up (although they will not be federated and will not be part of the VSLA). Male members of beneficiary households will also be eligible to participate in the enterprise and productive activities that are envisaged under the project. The project will also work with Mullah's and male elders as entry points into the community, particularly in non-CCAP districts, to help provide legitimacy for the project. Through these efforts, and as demonstrated through the past experience of AREDP, men in the target villages can be used to help in the overall goal of women's empowerment.

8. The **two sub-components** under the community mobilization component are as follows:

- a. **Sub-Component 1.1: Promotion of Women's Self-Help Groups (SHGs), Enterprise Groups (EGs) and their Associations/Clusters (est. US\$ 16.80 million):** The first sub-component will finance the actual community mobilization to create the SHGs, VSLAs, EGs, and PAs that are part of the social empowerment of women. Each SHG is expected to have an average size of about 8-10 members and it is expected that in each community an average of 8 SHGs will be established²⁶. It is envisaged that the project will create a total of 40,000 SHGs, 5,000 VSLAs, 5000 EGs and 500 PAs spread over 6250 CDCs.²⁷ The focus of the SHGs will be to promote internal thrift and credit among members by making them come together periodically and contribute a pre-specified amount of savings to a communal pot. This will in the first instance be used towards consumption smoothing and safety net support. But women's SHGs are also expected to take on social/non-economic functions. The SHGs will also serve as a safe space for women to come together weekly and interact with one another as a way of building solidarity and trust. Together these SHGs may choose to undertake collective action to improve their communities, organize social events, and support one another in the social and economic pursuits. These types of activities contribute to social empowerment by making women and their societal contributions more visible and by strengthening their networks outside the traditional realm of family. It is expected that women will self-organize into SHG, allowing for women of similar wealth levels to group with each other²⁸. These SHGs would then be aggregated to form VSLAs²⁹ whose role would be to promote higher order savings and inter-lending to their members and overtime greater financial and economic services. Likewise, a process of identifying existing and potential EGs from among the SHG/VSLA members will be undertaken based on common interests/livelihood patterns, as well as potential for growth. These EGs will in turn be aggregated into PAs at a higher level (possibly district). The cost of FPs and the sub-national VF/SO/DF teams deployed and engaged in the promotion of SHGs, VSLAs, EGs, and PAs would be covered under this sub-component.

²⁶ Recognizing that in many of the rural areas it will be impossible to only have women's groups, it is expected that on average there will also be about 20% male groups as part of the approach to involve men in the process of women's empowerment. There will be no 'mixed' male-female groups however so as to avoid any form of capture and as noted above male groups will not be federated.

²⁷ The coverage calculations are based on the following assumptions: total of 5000 CDCs covered across 76 districts; 1 VSLA per CDC; 8 SHGs per VSLA; at least 1 EG per community; and 10 percent of communities aggregating to PA level.

²⁸ This principle of self-selection has been shown in other contexts to promote participation of poorer women.

²⁹ The VSLAs comprise of all SHG members and will be managed by an executive committee comprising two representatives of each SHG.



- b. **Sub-Component 1.2: Training and strengthening of Women's Groups and their Associations/Clusters (est. US\$ 13.2 mn):** This sub-component will fund various activities related to enhancing capacity, quality and financial performance of various community based organizations, particularly SHGs and VSLAs³⁰. Investments under the sub-component will include developing and delivering training on how to operate WSGs and VSLAs; basic numeracy; establishing common accounting and reporting systems; developing credit scoring methodologies and rating mechanisms for SHGs and VSLAs³¹. The trainings will target both groups, as well as individual members within them so that they can tailor to specific needs. These activities will build the foundation for subsequent interventions in Components 2 and 3 such as financial literacy/planning, business plan preparation, and documentation for individual entrepreneurs/producers to make direct linkages with MFIs/Banks. The project will also invest in developing a cadre of good quality VFs, community managed bookkeepers and other field functionaries to support these institutions. In CCAP communities, strong linkages and active participation of SHGs/VSLAs in the CDCs activities will be ensured for larger social accountability, transparency and good governance.

Component 2: Access to Finance (est. US\$ 39 million):

9. **Overall approach:** The second component will facilitate empowering of both community institutions i.e. SGs/VSLAs and its members to develop as sustainable financial institutions at the community level and eventually establish direct linkages with financial service providers including MFIs and commercial banks. Evidence from past experiences in Afghanistan as well as other countries demonstrates that this is a long-term process that has to be approached in phases. The key focus of WEE-RDP would be to strengthen the 'demand side' by creating an ecosystem of women savings groups that are built on mutual trust and respect to support their livelihoods and federate to VSLAs for sustainability. This would prepare the women groups to link with MFIs and make them bankable. In this way, there would be three stages in the access to finance (see figure-4 below):

- a. the first stage is to develop an own savings culture through SHGs and federate them at the VLSA level.
- b. In the second stage, the project will inject seed capital, which will support transforming VSLAs to the next level in terms of scale as well as operational and financial sustainability.
- c. Finally, the third stage would be to link the VSLAs to MFIs and Banks.

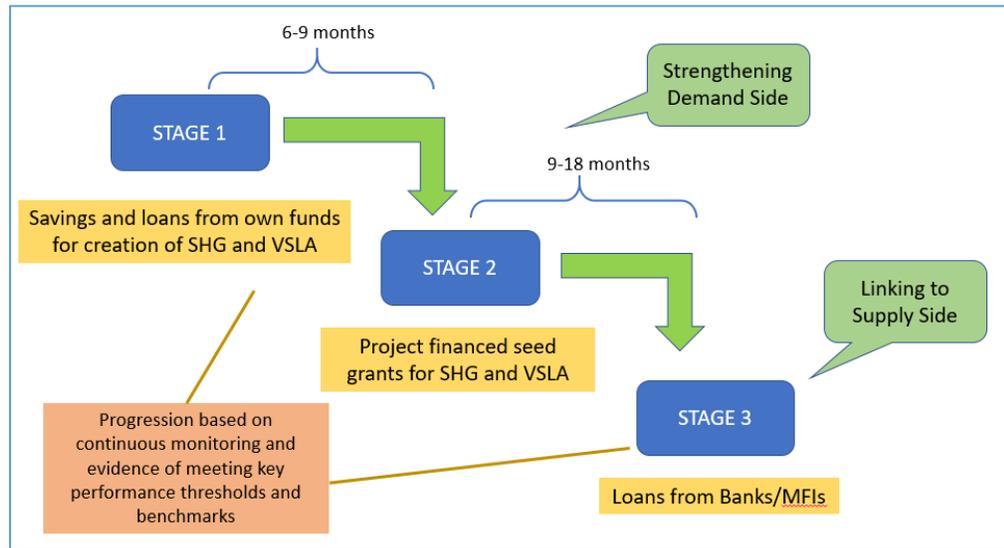
10. **Strengthening VSLAs:** The project will build the capacity of the AREDP MIS and its ability to generate quality data that enable the assessment of the viability and sustainability of VSLAs including portfolio quality, repayment and profitability. These assessments would also cover loan origination, monitoring and management of loans mechanism to monitor the portfolio performance of VSLAs. This will be followed by development of a 'maturity index' for VSLAs (defined as achieving operational self-sufficiency) which would be tracked as one of the key performance indicators (KPIs) of the project. The index would then be applied to all VSLAs (those established under AREDP and new ones under WEE-RDP) in order to be linked to banks and MFIs. The index would take into consideration the robustness of risk management practices, transparency of loan origination, classifications and provisioning processes, and the efficiency of reporting/book-keeping. Throughout these stages the focus would be on continuous capacity building (funded under Component 1) with training given to all SHG members and their executive committees on business skills, savings mobilization, record keeping, credit etc. The project will look to collaboration with MFIs and Banks for these as well.

³⁰ The training for EGs and PAs will be covered under Component 3.

³¹ There are 12 core training modules that the project will deliver for SHG/VSLA and EG/PA formation including establishment, member roles, leadership, bookkeeping and accounting, basic marketing, loan portfolio management, credit investment planning, etc. These will be further supplemented with specialized trainings on certain topics like soft skills (communications) and in Component 2 and 3 on financial literacy and various value chain/business development skills.



Figure 4: Stages in Access to Finance Proposed



11. The **two sub-components** under Component 2 are as follows:

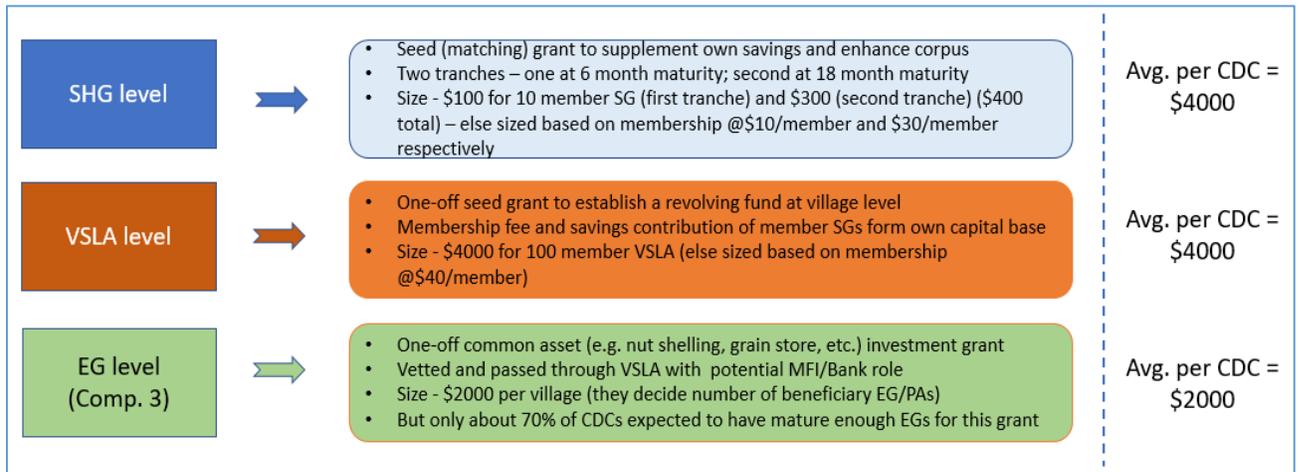
- a. **Sub-Component 2.1: Seed Capital to SHGs and VSLAs (est. US\$ 36 million):** The Seed Capital grant (in proportion to accumulated savings of SHG/VSLA) is designed to transfer financial resources to mature SHGs/VSLAs to supplement their own savings and establish long-term revolving funds at group and village level. The transfer would be contingent on the SHGs achieving three specific metrics of “maturity”: 6 months of continuous operations and savings; active loaning and evidence of repayment. In addition, they would be expected to undertake a micro-planning exercise to identify the areas they would want to invest in to improve their livelihoods and what productive assets they seek to secure. The size of each seed capital grant would be determined by the membership of each SHG and VSLA and for the SHG level they would be split into two tranches. The seed capital grant size would be calculated with an average of \$10/member for the first tranche and \$30/member for the second tranche at the SHG level and an average of \$40/member at the VSLA level³². Figure-5 below provides the three kinds of fund transfers proposed (including the seed grant to EGs discussed in Component 3 below)³³. These grants would be entirely owned and managed by these community based financial institutions and would work as resource in perpetuity as per the agreed norms or MoUs signed with the project. Seed capital combined with the savings of SHGs/VSLAs is expected to multiply the project funds thus increasing overall credit availability to its members.

³² Thus, for an average SHG of 10 members, the two tranches would be \$100 and \$300 respectively. For an average VSLA with say 100 members, the seed grant would be for \$4000. These amounts have been calculated to be proportional to the estimated savings corpus that would have been accumulated by these institutions over the given timeframe.

³³ Note that all of these three transfers will be routed through the VSLAs, who will be the main institutions for funds flow. Each VSLA will open a bank account with one of the commercial state banks (Pashtany and New Kabul Bank) that are partnering with the Project and simplified bank opening and maintenance norms have been agreed with them (including waiving the need for a National ID or Tazkira for opening of accounts).



Figure 5: Three kinds of fund transfers are proposed



b. Sub-Component 2.2: Building partnerships with MFIs & Commercial Banks and delivery of financial services and technical assistance (est. US\$ 3 million): The objective of this sub-component is to enable the linkages with MFIs and commercial banks and deliver a range of financial services (including training, maturity assessments/grading tools, etc.) to the SHGs and VSLA. This will create an enabling environment for investment in the livelihoods of rural women by increasing their access to sustainable financial services. The project will look to building institutional partnerships with MISFA and other like-minded MFIs/Banks to promote lending and financial inclusion of women groups. The project will adopt a crowding-in strategy by pursuing alternate channels for delivery of financial services e.g. VSLAs functioning as business-facilitator, bank-correspondent etc. for MFIs and Banks. The project will also explore piloting of IT enabled delivery of financial services e.g. M-PAISA; development of appropriate products and services with partner banks/MFIs - Sharia compliant financial products etc. under this sub-component. Complementarity and synergies will also be explored through ongoing financial sector projects. Various training/capacity building/exposure programs for MFIs and bank staff will be organized jointly with the Financial Inclusion Department of the DAB to promote financial inclusion of rural women.³⁴ Efforts will be also made to leverage the high-level steering committee of the WEE-NPP to work with public and private sector banks to identify and eliminate various institutional constraints around women’s access to formal banking and micro-finance, specifically in rural areas. The sub-component will finance the cost of financial service providers, financial literacy trainings, commercial bank access and maintenance fees, as well as pilots for increasing access to finance.

12. **VSLA Sustainability:** The project will put every effort to ensure that VSLA sustainability is maintained at two levels: (i) *Operational Self Sufficiency (OSS)*--which measures how well the VSLA covers its direct costs through internally generated income; and (ii) *Financial Self Sufficiency (FSS)*-- which measures how well a VSLA covers its costs taking into account adjustments to expenses (when unsubsidized); and portfolio at risk (PAR) --which measures the health of the portfolio after applying industry standards of asset classification and provisioning regulations. The project design will ensure that the formation of the SHGs is well organized and that they are established on solid grounds in terms of identification of members, building their financial capability and strengthening their financial literacy. The sustainability of the SHGs will also be based on building a strong credit culture and instilling a culture of feeling obligated to promptly

³⁴ Several of these activities are already being tried under the ongoing Access to Finance (A2F) project and so synergy and collaboration of WEE-RDP with A2F will be ensured during implementation.



repay their loans. The SHGs will be well established and stable, and would need to meet some minimum maturity criteria before formation of their umbrella body - the VSLAs. The MRRD project team will carefully select facilitators who have good knowledge of finance and the selection will not be narrowly focused on mobilization capacity. This will also be reflected in the project operations manual. This step is critical for healthy VSLAs formation. The other critical element for promoting OSS and FSS is to ensure that information is produced through a robust automated and secure MIS. The VSLAs will be assessed by the stage at which they will be on the path to both OSS and FSS as these are results of (a) well-defined policies on product pricing that bring in income, (b) efforts to keep low levels of portfolio at risk (PAR) as reflective of group dynamics and repayment performance and (c) initiative in terms of looking at other income generating activities. The project team at MRRD will follow up regularly and closely monitor these indicators.

13. **Financial Intermediation (OP 10 compliance review).** The project complies in general terms with OP 10.00 para 15 on financial intermediation. However, there is a significant reason for concern about how loan contracts can be enforced, and how VSLAs will be sustainable when relying on ad hoc profit sharing arrangements (under Islamic finance) instead of predictable interest rates. There are also major security concerns in rural areas that could make the financial intermediation activities difficult to implement on the ground. An additional concern is how risks will be covered, including force majeure risk and credit risk (on loans to SHGs by VSLAs, and on loans from microfinance institutions and commercial banks to VSLAs in the future). Given that VSLAs are supervised by the Ministry of Rural Rehabilitation and Development, a new arrangement for supervision will be necessary as they take on a financial intermediation role. Mature VSLAs managing grants and a growing loan portfolio may be supervised by the Central Bank, while others will require technical assistance and supervision from another agency. It would also be critical to have a certification process to insure basic practices and systems are in place before seed capital is provided. For VSLAs that initially meet requirements and later do not, there needs to be a decertification or strengthening process in place – and this would have ripple effects for groups who have provided their savings. As for the eventual participation of MFIs, there is no law in place yet, which might limit their role. However, efforts are underway to pass a law to provide clear legal status and supervision arrangements. The outcomes of the review can be found later in Annex 10.

14. **Component 3: Enterprise Development and Market Linkages (est. US\$ 18 million):** This component aims to finance common assets of public goods nature based on business needs and assessment of market failures using the 'maximizing finance for development' (MFD) cascade principle (see figure 6 below) in order to provide catalytic support for the growth of viable economic activities and leveraging more private sector investments. These investments are expected to be catalytic, helping individual level investments reach economies of scale through increased coordination. This will be supplemented with technical assistance, business development support, market exposure and linkages.

15. **Approach:** Groups of women with homogeneous economic activities under the project will be enabled and incentivized to come up with business ideas that will provide the rationale for partnership and formation of Enterprise Groups (EGs) and Producers Associations (PAs).³⁵ Any support under this component will be against robust Business Plan with a ceiling of \$ 2000 per EG, which may also be aggregated for the larger assets /infrastructure at the PA level depending upon specific business case and project requirements. The committee reviewing the business plan would have members of commercial banks/MFIs and representatives from industries and private sector, who could also choose to

³⁵ Enterprise/Producers Groups (EGs or PGs) are primary economic interest groups consisting of members from same village working on common enterprise/production systems. This could be in the areas of farm; non-farm or off farm activities. Members of an EG normally ranges from 5-15 depending upon nature of economic activities. Producer's Association (PAs) would be a higher order, secondary organization i.e. Federations of EGs/PAs. EGs/PGs from multiple villages engaged in common economic or income generating activities could be federated at a cluster level i.e. 10 to 20 villages. While, EG and PG would be an informal organization, efforts would be made to convert PAs as formal community based organization registered as co-operatives or companies. Membership of PAs could range from 50 to 500 depending on the value chain.



co-finance the proposal. The project is also considering contracting an independent third party to verify and validate the Business plan in terms of feasibility, fiduciary process and inclusion. It is expected that this build-up process will help women to increase their productivity, competitiveness, which would in turn improve the job opportunities for women and contribute to their economic empowerment. The component builds on the existing successful framework of AREDP on enterprise development which has proven effective in developing women enterprises and supporting them on capacity building, business skills and linkage to markets. EGs will be encouraged among all SHG members engaged in common economic activities. Thus, the component would help both individual and collective women enterprises to participate in organized and competitive supply chains, which would be identified through provincial situational analysis and other related studies. The focus will be on pro-poor, high value commodities such as vegetables, horticulture, milk, poultry, sheep; fish; goat; carpenter; honey, handicrafts etc. where women participation tend to be higher. Overall, only a subset of total households and geography having growth potential and are part of either economic clusters or value chains would be specifically supported under this component. This component will also facilitate EGs access to credit from VSLAs to support building of a healthy portfolio for the VSLAs and hence contributing to their sustainability. This component will also seek to draw partnerships and synergy with other ARTF, bilateral donor funded, and NGO run programs and projects that work on similar themes³⁶.

16. **Nature of investments.** Investments made under this component would be largely/mostly of public in nature. For example, in dairy sector while purchase of cow will be done at the individual entrepreneur level using revolving fund or loan from the VSLAs, the investments like milk testing machines; milk collection cans would be required at the EG/PG level, whereas bulk milk chilling (BMC) unit could be required on a milk route if the milk processing plants are far away from the villages having milk production centers. The latter investments (i.e. BMC and milk testing device etc.), which can't be done at the household level would require investments from the component-3. However, it should be noted that this will be done only if there are no private entrepreneur ready to invest in these downstream activities of the value chain and there is a market failure. The common catalytic investments in women enterprises will be directed mainly to poor vulnerable entrepreneurs, developing their business skills and creating access to markets through viable business linkages and partnerships. These grants to EGs will be passed through the concerned VSLAs and wherever possible, VSLAs may also get into profit sharing arrangement with EGs and PAs. Depending on their nature, the assets procured will be owned and maintained by the EG, PA, or by the VSLA (if they have community-wide benefits). There will be community contributions ranging from 20 to 30% depending on the nature of investments to assess/judge the genuineness of the affective demand and requirements of the assets at the community level. Normally such investments would be made, when there is a secure purchase agreement or buy back arrangement with exporters/retailers and aggregators are made.

17. The component will have following **three sub-components**:

- a. **Sub-Component 3.1: Capacity Building/Technical Assistance to EGs and PAs (est. US\$ 3.5 million):** Under this sub-component, the project will provide technical support to build the capacity of EGs and PAs, needed to help them develop business plans, streamlining production process for ensuring quality and consistent supply, certification access/adaptation to modern technologies and management skills etc. Adequate investments in the training and capacity building of EG/PG and PAs member, office bearers and leaders around management of common assets and its proper maintenance will be made. Arrangements like fee based services etc. will be used so that after the closure of the project, assets could be replaced using the corpus built out of the user fee or service charge. As such, trained and certified business service providers (BDSPs) will be used under this arrangements for training and technical support. SMEs can also act as BDSPs and provide fee based services or linkage support to EGs. Various promotional activities like product

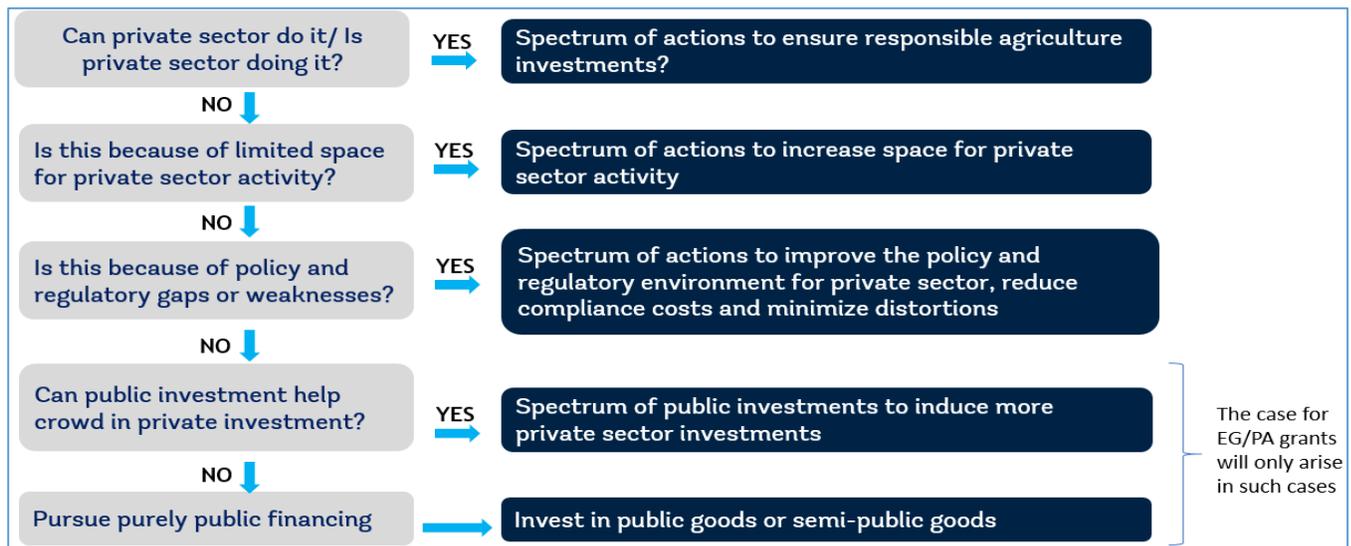
³⁶ In this respect, the project is exploring a formal partnership with the "Women in Economy" program run by USAID.



exhibitions, market fairs, buyer-seller meets etc. will also be organized for regular knowledge exchange and interface among various stakeholders. Such promotional activities will be organized both nationally and regionally based on previous experiences under the AREDP. The sub-component will also fund any knowledge gaps, studies, south-south knowledge exchange among entrepreneurs, product/ commodity based market assessment to identify opportunities to increase women’s participation in value chains etc.

- b. **Sub-Component 3.2: Grants to EGs and PAs for Common Assets (est. US\$ 9 million):** This sub-component aims to finance common assets of public goods nature to provide catalytic support for the growth of viable economic activities, complementing the household level investments that would be made through revolving funds. Using an MFD approach, this sub-component will ascertain where the private sector engagement is constrained—and by which factors that can be mitigated through the provision of grants to EGs and PAs. A schematic MFD cascade decision making framework for this arrangement is presented in Fig 6 below. The case for the matching grants to EGs and PAs would only arise in cases where such public investment would crowd in private sector and the constraints to private sector are not due to lack of appetite or regulatory barriers. The investments are expected to be catalytic and would be utilized towards adoption of modern technology (including those that support lower emission, climate-resilient agricultural inputs, technologies and processes for relevant EG/ PAD activities), building common economic assets or infrastructure, reduce the risk of entry or moving along the value chain to achieve higher gains.

Figure 6: A cascade decision making approach to decide on when to finance EG/PA matching grants



Source: Adapted from Maximizing Finance for Development in Agricultural Value Chains presentation, WB 2018

In general, the support will focus on quality inputs, post-production equipment or small-scale infrastructure such as drying floors, pack house, milk testing equipment, bulk milk coolers, weighing machines, moisture meters as well as small-scale primary processing equipment, marketing infrastructure with cleaning, grading, sorting, cold storage and other similar facilities. Establishment/ availability of such infrastructure at EG and PAs level will encourage lead firms, produce off-takers and business organizations to engage with these women enterprises. Any support to EGs and PAs under this sub-component will be based on comprehensive business plan with potential to have downstream tie-ups with lead firms, retailers, exporter and other large enterprises. The support to EGs or PAs under this sub-component will be limited up to a



maximum of \$2,000/EGs although the exact amount will vary depending on the nature of enterprises, requirements of the business and approved business plan. This fund could also be aggregated in some cases and used to support initiatives at the PA level. The number of EGs federated with PAs would determine the total eligibility and upper size of the business plan. It is expected that only around 70% of all EGs will reach the level of maturity and scale and would receive the project catalytic productive common assets and economic infrastructure support. Any investments and procurement of assets at the PG/EG and PA level will follow agreed community procurement norms or alternatively assets could be procured by the MRRD centrally and the transferred to the EG/PA. Some of the eligibility criteria and triggers for the release of fund to EG/PG/PAs under this component will be as follows³⁷:

- i. Minimum 6 months of establishment
 - ii. Sales revenue average (10000 AFs) per month
 - iii. Remained active since establishment date
 - iv. Proper update of books of records
 - v. Members of EG received the basic trainings
 - vi. The members of group prepared a sound Business Plan for their enterprise (including all elements of the Business Plan template)
 - vii. Ready to abide by the terms and condition of the Catalytic Fund Grant Agreement
- c. **Sub-Component 3.3: Promoting Private-Public-Community Partnership (est. US\$ 5.5 million):** The sub-component aims to crowd-in private sector firms and other stakeholders working in the areas of WEE to help build sustainable commercial linkages for the EG/PAs so that they can be more sustainable/viable. Such partnerships will be intended towards improving the supply of key business development support services for EG and PAs in the areas of high value agriculture, livestock and non-farm sectors. Under the sub-component, the project will identify SMEs and other business enterprises, firms and corporates working on the downstream of various product supply chain, and partner with them through contracts or competitive grants for either backward linkage or forward market arrangements. Through such partnership the project will establish off-take arrangements with aggregators, exporters, Agribusiness firms, processing SMEs etc. and all those firms/SMEs potentially having backward linkages to the EGs/PAs will be supported under the project through technical assistance, capacity building or utilization as “business development service providers” (BDSPs) to support emerging women enterprises. Similarly, as part of WEE-NPP, systematic efforts will be made to improve business environment, preferential treatment under government procurements for women enterprises and converge with the various rural and women development programs of the GoIRA e.g. it would work together with Agribusiness jobs charter, NHLP etc. to enhance participation of women in inclusive value chain development and create job opportunities. There will be convergence with GoIRA line departments and technical agencies, development partners to avoid duplication and overlap and promote synergy (e.g. with USAID’s Women in the Economy program). PAs will be encouraged to have business linkages, purchase agreements and partnerships with large scale business firms, retail stores, food processing etc. on the pattern of productive alliance models. Wherever, there is common geography and HHs level overlap of existing bilateral donor programs, integration with existing program/groups instead of promoting new EG/PA will be given priority.

18. **COMPONENT 4: Project Management (est. US\$13 million):** Under this Component, the project will finance

³⁷ The business plan of the EG/PAs will have adequate monitoring mechanisms in terms of verification of assets; use of assets. The principles of cascade (figure 6) will be applied in the screening of various business plan.



salaries of project staff, consultancies, training programs, office equipment, and incremental operational costs of set up under MRRD and provincial units. The component will also support project coordination, implementation, monitoring and evaluation (M&E) at the national and provincial levels, Management Information System (MIS), financial management (FM), procurement, human resource management, knowledge management and communication systems as well as environmental and social safeguards management, the integration of climate considerations into EG/PA activities in the agriculture/livestock sectors to better manage impacts and reduce emissions, and running of the grievance redress mechanism. The project will leverage the existing institutional infrastructure available in the CCAP program at the MRRD level for various project management activities including procurement, FM and communications. A detailed M&E plan will be prepared to align project activities and tasks with the key results and the related PDO level results indicators and the intermediate level indicators at the component level. There will be systematic internal monitoring of activities and results that will be fed into the preparation of Implementation Status report and Annual Progress reports. An M&E/MIS system will be established to collect and process appropriate information that will enable determination of the progress towards the achievement of the project development objective, tracking of progress at each phase of the results chain, and if required, adjustments will continuously be made and at Mid-Term. Baseline information will also be collected as part of the project preparation activities.

19. Other areas of support under the component include the following:

- (a) Technical assistance to inform implementation and policy development, and capacity building of the MRRD directorate to mainstream and ensure long term adequate staffing as part of exit strategy;
- (b) Partnership arrangements with some of the projects in India/Pakistan e.g. JEEViKA, Bihar in India or Poverty Alleviation Fund, Pakistan for overall technical assistance and implementation guidance;



ANNEX 3: Background on the AREDP and the CCAP

Afghanistan Rural Enterprise Development Program (AREDP)

1. **Background:** AREDP is a national government-led multi-donor funded program that jump-starts and facilitates private sector growth in rural Afghanistan. The program operates under the Ministry of Rural Rehabilitation and Development. AREDP is currently operational in 694 villages in five provinces, namely Parwan, Bamyan, Nangarhar, Herat and Balkh. It is national in scope and operation and builds on other development initiatives of the GIRoA, donors, private sector, MFIs, national and international stakeholders. Community is central to AREDP's intervention strategies and based on its assessment of resources, skill, market, etc., the economic growth path of inclusive rural community takes shapes with community mobilization, social safety nets, financial linkages, livelihood and economic opportunities in collaboration with community institutions for the sustainability of the program. This is coupled with networking and collaboration with different stakeholders both at the micro and macro level operations.
2. **Project Development Objective (PDO) and Components:** The PDO of the AREDP is to improve employment opportunities and income of rural men and women, and sustainability of targeted local enterprises. The program has three (3) components:
 - (a) Component A - Community-led enterprise development. The objective of this component is to establish 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.
 - (b) Component B - Small and medium-sized enterprise (SME) development. The component 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.
 - (c) Component C - Project implementation support. This component supports the ministry in project management, monitoring and evaluation, and in governance and accountability including gender, internal audits and implementation of the governance action plan.
3. Some of the key AREDP interventions for increasing the income and employment of its beneficiaries includes market-led urban-rural linkages, capacity building in business management and product development, marketing and technical skills development capacity building training, knowledge sharing exposure visits, organization of exhibitions and provision of user friendly equipment, building partnerships, facilitating client decisions, sharing best practices and vertical integration. One of the key strengths of AREDP is women mobilization, participation and their development. Over 50% of the beneficiaries under AREDP are women and their performance indicators are far better in terms of enterprise development in the rural areas.
4. **Program Results:** AREDP has provided support to over beneficiaries 64,328 (of which 56% were women), marginalized groups, IDPs and Returnees through a community driven saving and enterprise model for income and employment generation. 5,193 Saving Groups (SGs of which 54% are women controlled), 1,336 Enterprise Groups (EGs of which 63% women owned) at the micro-level and the establishment of 505 Village Saving & Loan Associations



(VSLAs) and support to 657 small and medium enterprises (SMEs of which 13% women owned) at the medium level. To date, these groups have saved 279 Million Afs (54% by women), where 95% of loan-able saving are in circulation at any given time. SGs and VSLAs issued more than 52,891 loans out of which 64% are availed by the women. EGs and entrepreneurs have further been supported with the provision of business support services and with technical support and tailored training to develop their capacity. Providing training and working through groups, rather than individuals, has increased individual's direct control over resources. Community groups were also supported with the facilitation of their registration and toolkits have been provided to matured and eligible EGs and entrepreneurs, this results in increase in 82% of their revenue out of which 63% are women.

5. **From AREDP to WEE-RDP:** A one-year extension and additional financing of the AREDP was granted to allow for the design of the WEE-RDP which transitions AREDP into a fully integrated scaled up national program that is in line with the WEE-NPP goals. The additional financing funded technical studies, assessments, exchanges with similar women's empowerment programs in other countries, consultations, spatial mapping etc. that helped design the WEE-RDP and undertake the preparatory for a smooth transition and swift implementation of the latter.

Citizens' Charter Afghanistan Project (CCAP)

6. **Background:** The Citizens' Charter Afghanistan Project (CCAP) is the successor to the highly successful National Solidarity Program (NSP), which introduced a community-driven development approach towards rural infrastructure and service delivery and reached approximately 35,000 communities over the past 14 years. CCAP finances part of the larger, ten-year Citizens' Charter National Priority Program (CCNP) which was launched by the GoIRA in late 2016. The \$800 million CCAP is supported through the GoIRA budget, the Afghanistan Reconstruction Trust Fund (ARTF), and IDA. CCAP will support the first four-year phase of the CCNP. It will reach an estimated 10 million direct and indirect beneficiaries in approximately one-third of districts located across all 34 provinces.

7. **PDO and Components.** The CCAP aims to improve the delivery of core infrastructure and social services to participating communities through strengthened Community Development Councils (CDCs). These services are part of a minimum service standards package that the GoIRA is committed to delivering to the citizens of Afghanistan. The CCAP has been set up as an inter-ministerial program for the delivery of a package of basic services. It is structured around 4 components which are as follows:

- (a) **Component 1: Service Standards Grants.** This component supports two types of grants to CDCs:
 - (i) **Rural Areas Service Standards Grants.** Implemented through the MRRD, this sub-component supports delivery of the *minimum service standards* related to rural infrastructure. Allocations per community under this component will be *needs-based* based upon an initial gap and needs assessment against the minimum service standards. The investments include water supply and a choice between basic road access, electricity, or small-scale irrigation.
 - (ii) **Urban Areas Block Grants.** The Independent Directorate of Local Governance (IDLG) – CCAP's urban implementing agency - will have overall responsibility for the implementation of the urban areas block grants. This sub-component supports grants to 600 urban CDCs and 120 Gozars in four major cities (Herat, Mazar-i-Sharif, Kandahar, and Jalalabad) to fund small infrastructure works in urban settings. These four major cities are home to some 945,000 urban dwellers. The menu of options includes street upgrading, parks, lighting, and provision of potable water, solid waste management arrangements, and women's economic activities.



(b) **Component 2: Institution Building.** This component supports: capacity building; technical assistance; and community facilitation services. In rural areas, MRRD will work with 14 facilitating partners (FPs) in undertaking capacity building and training of provincial and district staff to oversee, monitor and report upon project progress, Social Organizers (SOs), and engineering and technical support to communities across all 34 provinces. In urban areas, IDLG will work with UN Habitat, who will serve as an Oversight Consultant as well as four FPs on capacity building and training of municipality staff to supervise, monitoring and reporting upon project progress.

(c) **Component 3: Monitoring and Knowledge Learning.** This component includes learning activities from village to national levels, exchange visits across communities, especially for women, and support for thematic studies and evaluations. It covers a range of participatory monitoring and evaluation (M&E) tools, including the roll out of simple citizens' scorecards to be completed by CDCs and Social Organizers to report upon the minimum service standards.

(d) **Component 4: Project Implementation and Management.** The last CCAP component supports the management and oversight of the project at the national, provincial and district levels in rural areas and the municipal management units in the four regional hub cities. This includes areas such as policy and operational planning; capacity building; management information systems; grievance redress mechanisms; human resource management; communications; donor and field coordination, financial management and procurement functions; and safeguards oversight.

8. **Results:** As of end August 2018, CCAP had successfully rolled out in 8,981 communities; established 8,600 community development councils (CDCs) with 49% female membership; financed 2769 service delivery sub-projects; and benefited a population of over 7.5 million. The additional financing (AF) activities targeting IDPs and returnee hosting communities had generated 1,926,793 labor days of paid work for over 40,458 households.



ANNEX 4: List of WEE-RDP target districts

1. Overall Coverage: Based on a series of meetings, and given that WEE-RDP is a national program, MRRD decided to take this program to all provinces of Afghanistan including the existing provinces where AREDP is working³⁸. This is a strategy that is similar to what has been used under the CCAP to roll out the first phase of the CCNPP. The WEE-RDP aims to work in 76 districts in total across all 34 provinces. While most provinces have at least 2 districts covered, it was also decided that in seven provinces only one district would be selected for the time being given the security situation. Subject to a more conducive security and enabling situation the second district may be taken up later. Separately, of the total 76 districts, 24 were those that were under the AREDP coverage. Given the existing capacity and institutional presence in these 24 districts, it was agreed that these should be automatically included in the WEE-RDP coverage since the project could learn, scale-up, and deepen the work done in those districts and these could be used to showcase the impact of the program and serve as a model for other districts and provinces.

2. District Selection Criteria: For selection of districts within each province, several parameters were used which make the program more representative and allow collaboration with other projects.³⁹ Based on these parameters, the top two districts in each province were chosen:

- Presence of Citizen Charter (Present-1, not present-0)
- Security Situation (Good -1, partially insecure and highly insecure-0)
- MFI Presence (Present-1, not presence-0)
- NHLP Project presence (Present-1, not present-0)
- Targeting Ultra Poor (TUP) project presence (Present-1, not present-0)
- Returnees Presence (Present-1, not present-0)
- Provincial Centers were awarded 1 mark extra

3. Based on the ranking using the above parameters, 52 districts in 29 new provinces plus the 24 districts in the 5 existing provinces where AREDP is working at present, were selected and are presented in the table below. The implementation modality to be used in each of the districts is also provided along with whether it overlaps with CCAP coverage or is an existing AREDP district. In total, 39 districts will be implemented through facilitating partners (FPs) while 37 will be implemented by MRRD staff directly. The districts shaded in brown are those covered through FPs.

List of WEE-RDP District Coverage

Region	No of Districts	Name of the Province	Name of Districts	CCAP Presence/AREDP existing coverage	To be Implemented by
Central	22	1. Wardak	Maydan Shahr	Yes	FP
		2. Logar	Khoshi	Yes	FP
			Pul-i-Alam	Yes	FP
		3. Bamyan	Yakawlang	AREDP Existing District	MRRD directly

³⁸ The original plan was to rank all districts in the country on the basis of different criteria and then select based on that. As noted later, this changed the original parameters for district selection.

³⁹ The information for above parameters was derived from different WB and Government sources. In addition to above, initially when district selection was being done nationwide, the Government also included provincial poverty and the presence of women-centric value chains as metrics for district selection. But subsequently when it was decided to cover all 34 provinces, these parameters became redundant as they would provide the same weight to all districts within the province.



Region	No of Districts	Name of the Province	Name of Districts	CCAP Presence/AREDP existing coverage	To be Implemented by		
			Bamyan Centre	AREDP Existing District	MRRD directly		
			Panjab	AREDP Existing District	MRRD directly		
			Sayghan	AREDP Existing District	MRRD directly		
			Shibar	AREDP Existing District	MRRD directly		
		4. Parwan	Bagram	AREDP Existing District	MRRD directly		
			Chaharikar	AREDP Existing District	MRRD directly		
			Jabalussaraj	AREDP Existing District	MRRD directly		
			Salang	AREDP Existing District	MRRD directly		
		5. Kapisa	Sayed Khill	AREDP Existing District	MRRD directly		
			Nijrab	Yes	MRRD directly		
		6. Kabul	Muhmad Raqi	NO	MRRD directly		
			Chahar Asyab	Yes	MRRD directly		
		5. Panjsher	Bagrami	Yes	MRRD directly		
			Istalif	NO	MRRD directly		
		7. Dai Kundi	Anaba	Yes	MRRD directly		
			Bazarak	NO	MRRD directly		
				Nili	Yes	FP	
				Kiti	Yes	FP	
		SW	8	1. Helmand	Nawa-e-barakzai	Yes	FP
					Lashkargah	Yes	FP
2. Kandahar	Kandahar (Dand)			Yes	MRRD directly		
	Daman			NO	MRRD directly		
3. Nimroz	Zaranj			NO	FP		
	Chahar Burjak			Yes	FP		
4. Zabul	Qalat	Yes	FP				
5. Uruzgan	Tarin Kowt	Yes	FP				
SE	6	1. Khost	Mandozai	Yes	MRRD directly		
			Khost (Matun)	Yes	MRRD directly		
		2. Ghazni	Ghazni town	Yes	FP		
		3. Paktiya	Gardez	NO	MRRD directly		
Ahmad Abad	Yes		MRRD directly				
4. Paktika	Sharana	Yes	FP				
NE	8	1. Badakshan	Darayim	Yes	FP		
			Fayzabad	Yes	FP		
		2. Takhar	Baharak	Yes	FP		
			Taluqan	Yes	FP		
		3. Kundoz	Ali Abad	Yes	FP		
			Kundoz	Yes	FP		
		4. Baghlan	Pul-e-khumri	Yes	FP		
			Baghlan-e- Jadid	Yes	FP		
NW	12	1. Jawzjan	Fayzabad	Yes	FP		
			Shibirghan	Yes	FP		
		2. Faryab	Bilchiragh	Yes	FP		
			Maymana	Yes	FP		
		3. Samangan	Hazrat-i-sultan	Yes	FP		
Aybak	Yes		FP				



Region	No of Districts	Name of the Province	Name of Districts	CCAP Presence/AREDP existing coverage	To be Implemented by
		4. Balkh	Balkh	AREDP Existing District	MRRD directly
			Chahar Kint	AREDP Existing District	MRRD directly
			Dehdadi	AREDP Existing District	MRRD directly
			Nahr e shahi	AREDP Existing District	MRRD directly
		5. Sar-e-pul	Sar-e-pul	Yes	FP
			Gasfandi	Yes	FP
East	12	1. Laghman	Mihtarlam	Yes	FP
			Qarghayi	Yes	FP
		2. Kunar	Asad Abad	Yes	FP
			Narang wa badil	Yes	FP
		3. Nuristan	Patun	Yes	FP
			Wama	Yes	FP
		4. Nangarhar	BEHSUD	AREDP Existing District	MRRD directly
			DARAH-I-NOOR	AREDP Existing District	MRRD directly
			KAMA	AREDP Existing District	MRRD directly
			KHEWA	AREDP Existing District	MRRD directly
			RODAT	AREDP Existing District	MRRD directly
			SURKH RUD	AREDP Existing District	MRRD directly
West	8	1. Ghor	Chakhcharan	NO	FP
		2.Badghis	Qala-I-Naw	NO	FP
			Jawand	Yes	FP
			3. Herat	Guzara	AREDP Existing District
		Injil		AREDP Existing District	MRRD directly
		Karukh		AREDP Existing District	MRRD directly
		Kushki Rubati Sangi		AREDP Existing District	MRRD directly
		4. Farah	Farah	Yes	FP
Total	76	34			
			New Districts to be implemented by MRRD directly		13
			New Provinces to be covered by MRRD directly		6
			New Districts to be implemented by FPs		39
			New Provinces to be covered by FPs		23
			Existing AREDP districts to be implemented by WEE-RDP		24
			Total Districts		76

4. The 7 districts which are in standby are given in the next table. As mentioned previously, these will be taken up for implementation later when the security situation in those provinces improves.

Districts short listed to be taken up later

Region	Province	Number of Districts	District Name	CC /FP Presence	To be Implemented by
Central	Wardak	1	Hisa -e-Awal	Yes	FP
SW	Uruzgan	1	Deh Rahwad	No	FP
SE	Paktika	1	Yahya Khel	Yes	FP
	Zabul	1	Argahandab	Yes	FP
	Ghazni	1	Jaghuri	Yes	FP
West	Ghor	1	Lal Wa Sarangal	Yes	FP
	Farah	1	Pur Chaman	Yes	FP
Total	7	7			



ANNEX 5: Economic and Financial Analysis

A. Background

1. As outlined above, WEE-RDP is designed to establish a total of 40,000 SHGs, 5,000 VSLAs, 5000 EGs and 500 PAs. The focus of the SHGs will be to promote internal thrift and credit among women, which in the first instance will be used towards consumption smoothing and safety net support. These SHGs would then be aggregated to form VSLAs whose role would be to promote higher order savings and inter-lending to their members and overtime greater financial and economic services. Total project cost at 2018 prices is US\$ 100 million or equivalent to AFGs 6,900 million, including the contingencies. Project benefits are quantified for the project interventions accounting for about 80% of the project costs, shared between social and economic empowerment.

2. **Project Benefits:** Major direct benefits of the project interventions will come from; (i) by developing sustainable community institutions through social and economic mobilization of rural women; (ii) better access to multiple sources of credit for expanding/diversifying SHGs interlinked activities, (iii) improved integration with markets and institutions for scaling up EGs and PAs operations, (iv) participatory identification of targeted poor households, (iii) community-led management of investment funds, and (iv) enhanced skills and employability for 5,000 EGs and 500 PAs. In addition, strong community led institutions, backed with a network of over 4,000 facilitators and implementing institutions at various levels will sustain the delivery of business services to the beneficiaries beyond the project period, which will have long term project as well as system wide impacts. Such indirect economic (or multiplier) benefits are likely to be significant but not quantified and to that extent, projected benefits understate the full economic impact of the project.

B. Benefit/Impact Analysis

3. Given the project's 'demand-driven' and 'market-led' approaches it is difficult to ex-ante predict the project's full impact on employment and beneficiary's incomes but various evaluation studies and assessments of similar programs implemented in Afghanistan and in other South Asian countries have shown that these projects have resulted in an acceptable range of economic and social benefits. Based upon the available data at completion of the AREDP (the similar former project), a wide range of activities have been predicted potentially to be undertaken by women's groups of WEE-RDP. However, these business/enterprise activities would be demand driven and depending upon the resource base within the project area, therefore, as such investment portfolio by the SHGs is unknown for an inveterate *ex ante* appraisal. During implementation, the SHGs groups themselves will select the business activities appropriate to their need and circumstances.

4. A review of studies on small-scale income generating activities undertaken by the EGs under the former AREDP indicates that women are mainly interested in petty trading of embroidery and stitching/tailoring followed by selling dairy and poultry products. The women EGs who selected dairy products were involved in selling milk, butter, cheese, curd and ghee. None of the WEGs established any formal dairy or poultry farm. The analysis reveals that the birds owned by a single EG ranges between 5 to 45 birds. The dairy products were sold after value addition of the milk either purchased from the open market or got from the one or two animals owned by the family(ies) of the EGs. A few women groups in AREDP were also processing and selling cosmetics (3.6%) followed by food and beverages (3.2%). A summary of the business portfolio, by choice, undertaken by the EGs of AREDP is presented in the Table below.



Table 1: EGs under AREDP - Portfolio by the Project Beneficiaries⁴⁰

Sr.	Sector	EGs Established under AREDP			Percentage of EGs			Avg. Initial Investment / EG (AFN)	Expected EGs (WEE-RDP) Nos.
		Male	Female	Total	Females within Sector	Females at Project Level	Overall Sector		
1	Agriculture	66	19	85	22.4	2.1	9.47	162,071	473
2	Carpet	5	10	15	66.7	1.1	1.67	52,750	84
3	Food Industries	62	41	103	39.8	4.6	11.47	132,332	573
4	Handicraft (Embroidery & Tailoring)	33	446	479	93.1	49.7	53.34	19,531	2,667
5	Honey-Bee	14	10	24	41.7	1.1	2.67	54,306	134
6	Livestock and Dairy	6	19	25	76.0	2.1	2.78	117,212	139
7	Poultry	31	77	108	71.3	8.6	12.03	42,322	601
8	Others	41	18	59	30.5	2.0	6.57	158,732	329
	Overall	258	640	898	71	71	100	92,407	5,000

The Sector having less than 1% EGs have been categorized as Others

5. **Rationale for Public Sector Involvement:** Public sector involvement is justified when market failures underpin low levels of resources and labor productivity, and limited value added to primary production. This is the case in Afghanistan where under provision of effective rural support services and financing and integration of small- and medium-scale business enterprises to Afghan markets is hampered by weak organizational and business development capacities, information asymmetries, and diseconomies of scale. Women’s social and economic empowerment plays crucial role in nation building and deepening of democratic processes. Investments in strong, women-centric, grassroots community institutions not only benefit the participating member households but also the non-participants both within households and outside.

Methodology

6. **Economic and Financial Analysis (EFA).** The analysis has been carried out for the potential enterprise sectors. A cost benefit model is used to assess the ex-ante efficiency of the project investment. Enterprise⁴¹ level and financial and economic analysis analyses the sectors/enterprise groups, which are the potential candidates to be supported by the project. Annual cash flows have been estimated with the assumption that the EG in each sector, after its formation with the support of WEE-RDP, will start the business from scratch. The EFA was performed for the individual sector by defining and categorizing productive activities, by sector of the potential EGs to be promoted under the project. The analysis only indicates the viability of the sector evaluated under a set of assumptions and does not guarantee that such proposals from any WSG or PA will receive grants without satisfactory completion of processes/scrutiny required under the project.

7. **Economic Analysis.** To measure the economic worth of the Project from the perspective of society, a standard ex ante economic CBA was performed. Since the potential project beneficiaries of WEE-RDP may opt for the diversified business entrepreneurship, the *ex-ante* economic analysis has been carried out for a few business entrepreneurships

⁴⁰ A list of potential sectors has been developed based upon the AREDP MIS data for evaluating the parameters of the EFA.

⁴¹ A list of potential enterprises has been formulated based upon data for the AREDP



by categorizing into sectors based on the data with MIS team of AREDP.

8. **Economic prices.** Conservatively, all costs including the seed money provided to EGs, loans extended⁴² from VSLAs and SGs to EGs and other investments cost has been considered as part of the project costs for its successful implementation. No inputs or niche products and services are internationally traded commodities and all goods and services are treated as non-traded, for which economic prices are based on financial prices adjusted by the Standard Conversion Factors (SCF). The adjustments are made using SCF of 0.9 to all inputs and outputs except for unskilled labor for which a factor of 0.75 is applied.

9. **Financial Analysis.** The project will assist several sectors to support well-functioning of the WEGs activities. These include establishing business entrepreneurs at the wish and will of the EGs, therefore typical financial business models representing various sector are used to demonstrate the financial viability of the EGs and returns to the entrepreneurs of the respective sector. Moreover, similar to the economic evaluation, the financial analysis has been carried out under a series of simplifying general assumptions. Among these, conservative market prices were used for inputs as well as for the production outputs.

10. **Financial Prices.** The analysis has been carried out from the perspective of the EGs who will invest the initial capital to start the entrepreneur with the assistance of the project. All necessary costs including the operational costs have been accounted for developing the cash flows. The annual turnover minus expenses has been considered as the financial benefits to the respective EG under the sector.

11. **Main Assumptions.** All other assumptions are common for the economic and financial analysis. Both the economic and financial has been done with a 10-year period of analysis. Other assumptions are as below:

- All monetary values are expressed in AFNs, the Afghan currency.
- Both costs and benefits are valued at constant June 2018 price level.
- A 10 percent discount rate has been used for representing the opportunity cost of capital.
- The realization of full benefits of the EGs has been assumed within 3 years of establishment
- O&M Costs have also been estimated based upon the MIS data of AREDP, separately for each sector and in the light of discussions with the project management team and with the EGs,

Results of Economic Analysis

12. The Table below summarizes the results of the economic analysis following the methodology explained above.

**Table 2: Summary of Results
Economic Analysis of Standardized Enterprise Group by Sector**

Sector/ Enterprise Group	ENPV @ 10% Discount Rate (AFN)	EIRR %
Agriculture	296,897	25.4
Carpet	111,085	26.3
Food Industries	376,866	33.4
Handicraft (Embroidery & Tailoring)	181,096	33.3

⁴² There are no financial costs to the grants given to EGs and all loans are refundable to VSLAs and SHGs. In the economic analysis, conservatively the loan amount is considered as an opportunity cost and part of the investment for successful project implementation.



Honey Bee	83,140	25.0
Livestock & Dairy	189,244	21.8
Poultry	228,269	26.2
Overall Average	209,514	27.3

Results of Financial Analysis

13. Based on the data with MIS team of AREDP, the financial analysis have been carried out for the different sectors of the business entities likewise undertaken by the majority of EGs, particularly the WEGs under the ARED project. Since, the database with the MIS has limited information on activities being carried out by the EGs, the analysis is confined to a few sectors remained popular in the community/ beneficiaries. The financial analysis estimated the value of return on equity (ROE) and financial internal rate of return (FIRR).

14. **Return on Equity.** Since the beneficiaries of the project will get financial support from the project, in the shape of seed money, loan or both, therefore it is important to evaluate that how much returns are expected to be received by the EGs against their investment. The AREDP database has been used for this analysis, assuming that the similar trend will be followed in WEE-RDP. The analysis is undertaken for calculating the return on equity (ROE) in different business sectors. The Table below summarizes the results. The analysis also shows the average number of persons employed by each sector.

Table 3: Summary of Results
Financial Analysis – ROE and Employment Impact of Enterprise Groups

Sector	Avg. Initial Investment/EG (AFN)	Avg. Annual Sales/EG (AFN) /a	Avg. Net Profit as share of Sales (%)	Avg. Annual Net Profit /EG (AFN) /a	Return on Equity (FIRR) /b	Persons employed (Dec 2017)	
						Total	Persons/EG
Agriculture	87,745	681,964	25	170,491	36%	805	6.3
Carpet	23,823	250,698	25	62,675	49%	93	6.6
Food Industries	132,332	274,489	80	219,591	38%	619	5.8
Handicraft	19,531	100,645	30	30,194	43%	3,468	7.5
Honey-Bee	54,306	93,114	45	41,901	31%	107	5.9
Livestock & Dairy	149,806	461,544	40	184,618	42%	540	1.8
Poultry	42,322	174,031	30	52,209	29%	758	6.9
Average	72,838	290,926	39	108,811	38%	913	5.8

\a In Year 4 after investment. \b Over 10-year period. ROE = Return on Equity; FIRR = Financial Internal Rate of Return; EG=Enterprise Group. Source: Based on AREDP MIS data.

15. **Financial Rate of Return.** The analysis confined to estimate the financial returns on investment of an income generation entrepreneur potentially to be established by the EGs under WEE-RDP. The financial analysis accounted for the total investment including equity, seed money and loans. The results have been illustrated in the Table below.



Table 4: Summary of Results
Financial Analysis of Standardized Enterprise Group by Sector

Sector/ Enterprise Group	FNPV @ 10% Discount Rate (AFN)	FIRR %
Agriculture	500,159	31.9
Carpet	149,257	29.5
Food Industries	506,030	36.6
Handicraft (Embroidery & Tailoring)	238,801	37.5
Honey Bee	120,057	29.5
Livestock & Dairy	259,838	24.1
Poultry Farm	293,312	28.4
Average	295,351	31.1

Project Sustainability

16. The proposed outcome of the project is considered sustainable by strengthening project beneficiaries' capacity to engage in all stages from identifying business opportunities to sourcing raw materials, and the production and sale of finished products. WSGs will be organized to form producer associations (PAs) to operate and maintain facilities and initiatives developed by the project. Management, O&M, and marketing plans will be developed and implemented as part of the project's exit strategy. Training will be implemented through, and institutionalized within, appropriate government agencies to ensure sustainability.

C. Economic Analysis Combined with Greenhouse Gas (GHG) Analysis

17. The analysis has been carried out "with and without project" to assess the net development impact of the GHG emissions by incorporating the values in the base case of the economic analysis of the project.

18. At appraisal of WEE-RDP, an ex-ante financial and economic benefit/cost, analyses have been carried out for the potential micro business enterprise groups. The potential number and the types of the business have been estimated based upon database of the predecessor project. Similarly, an ex-ante GHG analysis has also been done to estimate the impact of GHG under the project. Conservatively the number of potential EGs assumed for impacting the GHG are estimated as follows: agriculture (10%), livestock and dairy (3%): hatchery and poultry farms (12%) and non-farm and service sectors (75%), comprising of small manufacturing, trade and services.

19. The Project leads to estimated annual benefits of 568 tCO₂e, when compared to a baseline scenario. This is equivalent to annually reduced GHG emissions per hectare of 0.3 tCO₂e. After 20 years (a period commonly used for project GHG accounting in agriculture), total GHG mitigation benefits including agriculture, livestock and dairy, and poultry farms amounting to a reduction of 8,513 tCO₂e will be generated. Since, the analysis is based upon potential activities to be undertaken during implementation, the findings will be tested at midterm review stage using the actual data of the project, to be collected by the project implementation teams. This data will also be used to testify the GHG analysis at completion of the project.

20. Since no physical financial transaction is expected and there would no direct payments of carbon credits to beneficiaries, therefore no value is assigned to improved carbon balance in the financial analysis.



21. **Shadow Price of Carbon.** The shadow GHG emission has been valued at a social value of carbon⁴³ that is increasing over time in real value from US\$ 32 per ton CO₂-equivalent in early years increasing to US\$ 68 at the end of the 20 years. The analysis computes the values of EIRRs and NPVs after adding the values of the GHG emissions, separately analyzing the impact at lower and upper bound.

22. **Results of Economic Analysis after Adding Benefits of GHG Sequestration.** Since the amount of sequestration of CO₂ (only 568 tCO₂e per annum) by the project is very nominal, the analysis reveals change in fractions in the values of EIRRs and NPVs after adding the lower or upper bound values of the GHG emissions. Thus it is concluded that project will have no significance, positive or negative impact in terms of GHG emissions.

23. **Sensitivity analysis.** A sensitivity analysis was conducted to calculate the impact of cost increase or benefit decrease. The sensitivity analysis indicates the value of EIRR robust and therefore the project benefits are likely to achieve. The summary results of the analysis have been shown in the Table below.

Table 5: Summary of Results - Sensitivity Analysis – Response of EIRR

Sr.	Description	EIRR %	ENPV (at 10% discount rate) AFN
	Base Case	27.3	209,514
1	Costs increases by 10%	26.1	198,982
2	Benefits decreases by 10%	15.1	62,427
3	Simultaneous increase in costs and decrease in benefits by 10%	14.1	51,896

24. **Conclusion.** In light of a positive value of ENPV over 20 years and an ERR of 27.3 percent and the some other additional potential net benefits that could not be quantified yet, the project investment is expected to yield significant returns even when considering the factors for increasing the costs or decreasing the benefits. However, comparing with the available database of AREDP, it may be concluded that there is substantial need to improve the data collection and recording mechanism, so that the EFA analysis and evaluation of the WEE-RDP at mid-term and at completion could be focused precisely. Validating data and assumptions phrased for the analysis under without project and with project scenarios, gross margins for crops, return to investment on livestock, noncropland, and together with formation of new EGs also needed during implementation of the project. Refining the estimation of impact on carbon balance based upon actual data to be collected, at mid-term and at completion using the EX-ACT Model is also suggested.

⁴³ World Bank Guidelines suggest a social cost of carbon of US\$ 30 per tonne CO₂-eq in 2015 building up to US\$ 80 per tonne in 2050. World Bank (2014b) Social Value of Carbon in project appraisal. Guidance note to the World Bank Group staff. Washington, DC, July 2014. US\$ GDP Deflator to convert 2014 to 2018 prices = 105.2.



ANNEX 6: Summary of the Stocktaking of Community-Based Savings Promoting Institutions (CSPIs)

1. **Background:** The study, *“Status of Community Based Saving Promotion Institutions CSPIs in Afghanistan report”* was undertaken by the Afghanistan Microfinance Association (AMA) as a background study to inform the additional financing of the Access to Finance (A2F) project that is supported through the ARTF. The study was undertaken by AMA, in 2016 with an objective to understand the status and potential of CSPIs as alternatives to provide sustainable access to financial services to poor people in rural areas⁴⁴. The study was also meant to serve as a baseline status report on CSPIs which could be then studied over time to see how this sector evolves in the country.
2. **Methodology:** The AMA study covered a total of 12 major CSPI initiatives operational in Afghanistan that had gone to a significant scale. Of these 10 were run by local and international NGOs, one by UN Habitat and the last was the AREDP itself. The study also spoke with two formal financial institutions, MISFA, a mobile payment operator, as well as 200 direct clients of the different CSPIs across five provinces. A multi-layered approach involving “Observational Qualitative Research” and combining four main methodologies: focus groups, individual interviews, case studies and surveys – was used. The study combined an ‘as-is assessment’ of CSPIs (covering their business models, funding sources, loan portfolios, governance, etc.) with a ‘forward-looking assessment’ to see how they could be scaled-up and made more sustainable.
3. **Overall findings:** Based on the research in the 12 CSPIs, on the positive side the study concluded the following:
 - a) CSPIs play an important educational, awareness-building, capacity-building and cultural change role in communities residing in remote areas. CSPIs demonstrate much larger geographical outreach than MFIs, which usually work in a limited radius around their branch offices. There is a significant potential for even larger outreach and, with some more financial support, CSPIs in Afghanistan are well positioned to reach out much further into remote rural districts.
 - b) CSPIs also tend to operate in less secure areas, which is especially true for business models where maximum amount of activities is handed over to the group members, and CSPI staff keep low profiles.
 - c) For their socioeconomic impact in remote areas CSPIs therefore deserve further donor support, however, for a better long-lasting effect, it should be dedicated to more long-term projects and include revolving loan fund component.
4. At the same time, however the study found several limitations in the way that CSPIs worked in Afghanistan. Some of the key ones were:
 - a) The study found that CSPIs lack institutional capacity and long-term business models to further enable their target groups’ financial inclusion. None of the CSPIs they studied is self-sustainable. Moreover, being project based and grant funded, they don’t intent to break even, those who charge for their loans, tend to charge significantly less than MFIs. CSPIs’ project-based grant-dependent business models don’t allow for long-term self-sustainability.
 - b) Successful linkages of the CSPIs’ beneficiaries to formal financial institutions also don’t happen sector-wide and in the few cases they did it was in urban and semi-urban areas.
 - c) The study concluded that in their current modus operandi the CSPIs in Afghanistan, despite their strong role in promoting financial inclusion, are not able to provide sustainable access to financial

⁴⁴ The study notes that CSPIs are both non-governmental and governmental organizations that offer some microfinance services along with other development activities. They offer financial services to their beneficiaries using several different models such as Village Savings & Loan Associations (VSLAs), Self Help Groups (SHGs), Community-Based Savings Groups (CBSGs), Savings and Credit Groups (SCGs) etc.



services to the poor in rural and remote areas. The CSPI model does constitute an alternative to the formal financial sector, however, not a sustainable one.

5. Lessons learned: Following from the above overall findings, the study distilled some important country-specific circumstances and lessons learned that should be taken into consideration for the WEE-RDP design. These include:

- (a) The importance of using a *gradual long-term approach* spanning multiple years;
- (b) CSPIs that used CDCs as entry points had a more long-lasting effect; as did those that allowed savings groups to develop *organically* – both approaches show the importance of linking WEE-RDP to CCAP;
- (c) CSPIs have a strong gender equality effect – something that is integral in WEE-RDP given its women focus;
- (d) CSPIs that provide their SCG members with *various trainings* achieve significantly more long-lasting effects;
- (e) Unless linked to larger markets, CSPI savings can remain idle, which should be avoided;
- (f) Relatedly, those CSPIs that managed to expand limited village markets by way of linking their savings groups to other villages, nearby town markets, wholesalers and input suppliers did much better;
- (g) *Islamic-compliant* savings and lending activities have proven the most community-accepted model to start with in the remote areas;
- (h) Internal group lending with small/micro loans tend to have the best repayment;
- (i) Records of group-level savings and credit should be kept simple;
- (j) MIS and rating systems for CSPIs are generally weak and need to be systematized and strengthened;
- (k) Clustering in the form of VSLAs, PAs, or cooperatives helps strengthen CSPIs.

6. Recommendations: The study made several recommendations for the future of the CSPI sector, many of which are relevant for WEE-RDP. These include:

- a) Ensure that there is *continuous donor funding* for CSPIs that spans beyond three years;
- b) Include *revolving loan funds* in CSPI projects, but introduce these after savings groups mature and learn borrowing from their internal savings funds;
- c) Apply *Islamic-compliant profit sharing* lending principles on both internal group and external revolving loan funds lending right from the start;
- d) Each CSPI project should include a staff credit analysis training component;
- e) CSPIs should be encouraged to become AMA members;
- f) A SCG rating methodology development and actual SCGs rating project to identify the first pool of credit-ready SCGs is recommended;
- g) MIS systems for CSPIs need to be improved and a sector-wide CSPI MIS is recommended;
- h) Future CSPI projects should consider using an 'agent banking' pilot wherein CSPIs act as agents of existing MFIs and banks.



ANNEX 7: Summary of Lessons from the Afghanistan WEE Mapping Study

1. **Background:** The study, *“Women and the Economy: Lessons Learned on Operational Approaches to Women’s Economic Empowerment in Afghanistan”*⁴⁵ was commissioned by the World Bank and the GoIRA in 2016 to inform the expansive vision laid out in the WEE-NPP. The study combined a synthesis of previously existing WEE literature in Afghanistan with findings from a largescale mapping exercise of program implementers across Afghanistan.
2. **Methodology:** The mapping exercise, conducted from Sept-Nov 2016, involved both qualitative and quantitative data collection with a sample of 64 in-depth interviews and 16 focus group discussions. Interviews were attempted in all 34 provinces by the field team, but due to non-contact, refusals by respondents, and security limitations, the final sample included 21 provinces. Respondents were 18 years or older, male and female, and represented a range of levels across the professional organizations involved, from monitoring and evaluation specialists to directors. The mapping exercise strove to provide a comprehensive snapshot of the geographical concentration and spread of WEE programs, but given the range of constraints that prevented the research from extending into all regions of Afghanistan, it is not possible to definitively determine the full extent of WEE coverage in the country.
3. **Seven Main Lessons:** The following lessons learned on operational approaches to WEE in Afghanistan relate to both the enabling factors that foster WEE and the productive investments that lead to WEE. These in fact helped frame the main pillars of the WEE-NPP and have been drawn into the design of WEE-RDP. The key lessons were:
 - a. **Lesson #1: WEE must be clearly defined:** The study found that the fragmentation and poor coordination associated with implementing WEE stems from the lack of a clear definition, which in turn limits how projects can monitor and measure the effectiveness of WEE activities. When the concept of WEE is framed narrowly to include only employment status and earnings, the resulting programs are often divorced from interventions that bridge gender gaps in endowments and agency. The proposed WEE-RDP avoids this by looking at a holistic approach towards WEE, that begins with social empowerment and then looks to different elements of economic empowerment.
 - b. **Lesson #2: WEE effectiveness depends on accurate gender statistics.** Gender statistics must be improved in Afghanistan to meet goals related to addressing gaps in WEE knowledge, developing cohesive WEE programming, and accurately tracking WEE impacts over time. While WEE-RDP will not alone contribute to this effort, several of the M&E indicators being drawn from the project will help strengthen the overall gender statistics in the country.
 - c. **Lesson #3: Literacy and numeracy deficits hinder WEE.** The study noted that for the majority of Afghan women to benefit from WEE initiatives, literacy and numeracy education must be integrated into WEE skills-training programs. This is why in all the three Components of WEE-RDP there is a particular emphasis on training, capacity building, and skills building for women. An important mechanism for this will also be peer-to-peer learning from one group of women to another as well as the cadre of VFs and BDSPs the project will employ.
 - d. **Lesson #4: WEE starts in the social sphere.** Perhaps one of the most important lessons from the study that has influenced the overall design of WEE-RDP is the recognition that WEE starts in the social sphere. As the study noted, economic empowerment does not develop at the individual level, for either men or women. Fundamentally it is a collective phenomenon. Therefore, while WEE programming in Afghanistan must account

⁴⁵ The brief lessons note is available at: <http://documents.worldbank.org/curated/en/600601535381900719/>. The complete results from the study are available in the April 2017 report, *Mapping and Lessons Learned from Women’s Economic Empowerment Programs in Afghanistan*, which is available upon request.



for restrictions on women's public gathering and general mobility, it also should incorporate alternative vehicles through which women can develop the social networks required for WEE. Interventions should develop and strengthen social bonds among women; enabling and sustaining WEE in the long term. This, in essence, provides a clear justification to use the institutional approach to WEE deployed in the project that relies on the creation of WSGs, VSLAs, EGs, and PAs. This particular lesson also included further sub-lessons which are relevant for WEE-RDP design. These include the following:

- i. **Investing in multi-purpose women's groups:** Evidence shows that basing groups on a dual-pronged savings/credit and production approach is a mutually reinforcing strategy. From the savings/credit side, groups build and maintain social capital while creating an effective, and often first-time, channel for pooling capital and savings that they can be extended as loans. The production side allows for streamlined connections to market and build economies of scale by collectively: purchasing inputs such as machinery; marketing goods produced; gathering much needed market and business information; and developing marketing strategies, market linkages and problem-solving. This is why both the financial inclusion track (component 2) and economic inclusion track (component 3) need to work together under WEE-RDP.
 - ii. **Going beyond start up support:** The mapping found that past WEE projects often focus support only on group formation. However, women's institutions require more than start-up support. Without ongoing follow-up, including soft skills support, economic cooperatives and associations are unlikely to be sustainable. Even when organized, women continue to face daunting access and operational challenges related to credit, markets, information, technology, among others. This means that projects need to explicitly incorporate plans for how these groups can continue independently, for example by providing institutional strengthening and other related skills training – something that has been factored into WEE-RDP design.
 - iii. **Recognizing the value of women's group investment beyond the immediate economic function:** Once established, women-centric spaces developed to meet savings/credit and productive needs can become communal mechanisms available to meet additional needs. For example, for women who have not had access to literacy and numeracy training opportunities membership in savings/credit can provide them to access to these kinds of opportunities or to other services that would support their economic integration and sustainability. This is where linkages to other programs, such as CCAP, NHLP, or the Agribusiness Charter will be important for WEE-RDP.
 - iv. **Utilizing technology to develop "communal" spaces for women facing mobility constraints:** The study captured that mobile technology and the internet are providing complementary and alternative ways for women to expand their social sphere, which then increases their connections to one another, and to customers and markets. This is particularly important for women that rely on home-based economic activities or whose mobility is restricted. Furthermore, technology-enabled social network expansion, through accelerated financial transactions and increased access to information, has improved business viability. These factors will be considered in the implementation of Component 3. Further, the broader WEE-NPP's innovation fund will be used to help 'source-in' new technologies to WEE-RDP.
- e. **Lesson #5: WEE can be both profitable and culturally compatible.** Resistance to WEE can be overcome with initiatives that support women in productive activities that are both profitable and consistent with cultural norms. This is something that will be borne in mind when doing the social mobilization under the project.
 - f. **Lesson #6: Traditional credit is not enough to achieve WEE.** For financial inclusion to be effective, it must incorporate more than traditional credit; it must feature a women-centered design that addresses the unique barriers women face. This research showed that offering financial products that women can and are willing to



access is essential. Adjustments to loan products that have demonstrated some success meeting women's financial needs include those that provide flexible repayment plans, accept alternative forms of collateral, and offer Sharia compliant loans that are compatible with cultural and religious norms. These then have to be coupled with significant hand-holding and confidence building.

- g. Lesson #7: Donors must develop an exit strategy from WEE programs.** In a context, such as Afghanistan, with heavy reliance on donor funding, it is integral for donors to build an exit strategy into their programs for WEE gains to be sustainable. The same is true for GoIRAFinancing. Therefore, the project is investing in maturity indices and financial sustainability criteria for VSLAs and EGs so that they can operate independently even after the project support finishes.

- 4. The above seven lessons are reflected in the different elements of WEE-RDP design. The project will also invest in a strong M&E and learning strategy of its own to further curate additional lessons that can help other programs under the broader WEE-NPP umbrella.



ANNEX 8: Procurement Arrangements

1. Procurement under all components of the Project will be carried out in accordance with the World Bank's Procurement Regulations for Borrowers for Goods, Works, Non-Consulting, and Consulting Services and applicable to investment project financing (IPF) - hereinafter referred to as the 'Regulations'. WEERDP will be subject to the World Bank's Anticorruption Guidelines, dated October 15, 2006, revised in January 2011, and as of July 1, 2016.
2. **Standard Procurement Documents.** The World Bank's Standard Procurement Documents, Requests for Proposals, and Forms of Consultant Contract shall be used for Open International Competition. Goods, works, and non-consultancy services following Open National Competition shall be procured using agreed bidding documents for Afghanistan. In case of conflict/contradiction between the World Bank's procurement procedures and any national rules and regulations, the World Bank's procurement procedures will take precedence according to the Article 4(2) of the Procurement Law of the Islamic Republic of Afghanistan dated 27/06/1396 (September 17, 2016) published in the Official Gazette No.1223.
3. **Project Procurement Strategy for Development (PPSD) and Procurement Manual.** According to the requirement of the Regulations, the Procurement directorate of the MRRD in coordination with WEERDP PIU will prepare a PPSD to decide procurement methods and approaches for procurement (template of the PPSD already shared). Once the PPSD is complete and procurement officials are identified, the World Bank will arrange a procurement training for them. The Project has also updated the existing AREDP Procurement Manual for WEE-RDP purposes.
4. **Systematic Tracking of Exchanges in Procurement (STEP).** The project will implement STEP, a World Bank planning and tracking system, which would provide data on procurement activities, and establish benchmarks. The details of the procurement activities, presently prepared in the Procurement Plan would be transferred into STEP. Initial training on the operation of STEP will be provided to the procurement officials of the MRRD.

Procurement Unit (PU) in MRRD

5. The World Bank has conducted an assessment of the capacity of the MRRD Procurement Directorate (PD) and the procurement unit of the CCAP in MRRD. The MRRD procurement directorate will be mainly responsible for procurement under WEERDP, but will be provided support by the procurement unit in CCAP. The MRRD PD has around 35 procurement staff majority of these officials are new and are not familiar with the bank projects. The CCAP procurement unit has around 8 staff, financed by CCAP, who have institutional knowledge and experience in bank funded projects. As the existing staff of the PD are new and not familiar with the World Bank procurement systems and the CCAP procurement staff are not in a position to fully take the charge of this project, the Bank has recommended to hire some additional contracted staff through WEERDP. The positions will be: (i) Senior Procurement Specialist, (ii) Procurement specialist and a Procurement Officer and (iii) two individuals will be introduced by the procurement, directorate of MRRD. The contracted staff and individual introduced for the project will be mainly doing the work of the project under the supervision of PD and in consultation with the CCAP procurement unit.
6. With the above arrangements in place by MRRD the residual risk is still rated as **high**.

Procurement Capacity Development

7. The Procurement Team will involve the newly hired procurement staff under the procurement directorate of MRRD. Additional contract staff will also be hired to handle procurement, but will gradually transfer the activities to



the PD when the capacity of the directorate is enhanced to take over all the work from the contract staff.

8. Planning and Budgeting: The MRRD has developed a Procurement Plan (PP) for project implementation that provides the initial information on procurement methods. The draft PP is discussed and agreed with the program and will be submitted through STEP for seeking no objection from the Bank. The above system will facilitate monitoring of the time taken for procurement/selection activities and take remedial actions for delays. It has been agreed that all bid/proposal evaluations will be completed within the time duration stipulated in the system by default. The PP will be updated in agreement with the project team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

9. Contract Management: Contract management of the project will be led by the PD and WEE-RDP PIU. Procurement and contract management manual will have the details how different units will be involved in contract management. The different grant schemes will also be managed by the program and a detailed manual will be prepared for this.

Governance and Oversight Arrangements

10. Frequency of Procurement Supervision by the World Bank: In addition to the prior review, supervision shall be carried out by the World Bank team. There will be two Implementation Support Missions (ISMs) per year and the Kabul and Dubai based staff will provide ongoing implementation support in between these.

11. Procurement audit and review. In addition to prior review, WB staff or WB-appointed Consultants shall carry out post procurement review once per year and the GoIRA auditing institutions will be doing the procurement audit.

12. Governance and Anticorruption. All the contract opportunities and contract awards will be widely published in the Internet, NPA website, MRRD website, and when required in United Nations Development Business (UNDB). The MRRD will set up a system to ensure that the staff/consultants who handled the procurement process/contract management/contract execution do not join the consultants/contractors. This will be reviewed during supervision missions. Other actions are (a) alerting implementing agencies' officials/staff about any fraud and corruption issues; (b) alerting bidders against adopting fraud and corruption practices; (c) awarding contracts within the initial bid validity period, and closely monitoring the timing; (d) taking action against any corrupt bidder in accordance with the law of the GoA; (e) preserving records and all documents regarding public procurement, in accordance with the Procurement Law provisions; (f) publishing contract award information in UNDB online, NPA's website, and agencies' websites within two weeks of contract award; (g) ensuring timely payments to the suppliers/contractors/consultants and imposing liquidated damages for delayed completion; and (h) enforcing a procurement filing system.

13. Grievance Redress Mechanisms: Complaints Handling: With regard to procurement complaints, the MRRD will be guided by the World Bank's Procurement Regulations for Borrowers for Goods, Works, Non-Consulting, and Consulting Services and applicable to IPF hereinafter referred to as 'Regulations'. The MRRD will inform the World Bank as soon as the procurement complaint is received and the final outcome subsequently. The MRRD should have a system to register and monitor the receipt and resolving of complaints, such as through the proposed hotlines. The progress of such action will be reviewed during supervision missions.

14. Procurement of Goods and Non-Consulting Services: The majority of the packages for hiring FPs will be procured as non-consulting services. The draft RFB for main NCS to be shared with the bank till 5th September 2018 and all those contracts to be awarded as soon as possible but not later than end of November 2018.



15. **Procurement of Works:** There will be no civil works under the project, except potentially the extension/renovation of the regional office buildings for MRRD (this will be decided upon after a feasibility assessment).

16. **Selection of Consultants:** Both individual and firm/NGO consultants are expected to be procured for different technical positions as well as the conducting of different assessments, studies, and monitoring activities under the project. The details of these will be finalized once the PPSD and PP are finalized.

17. The MRRD will ensure that all invitations for bids, Expressions of Interest are given wide publicity using its own website, the NPA website, UNDB, and national newspapers. Further for individual consultants, the Request for Expression of Interest/vacancy notice will be published on the following websites: www.npa.gov.af, www.acbar.org, www.devnetjobs.org, and www.reliefweb.int.

18. **Incremental Operating Cost (IOC):** IOC will be procured using the Afghanistan procurement law procedures. The operating costs will include operations and maintenance of equipment and vehicles, hiring of vehicles, office rent, costs of consumable, fuel, office utilities and supplies, salary of contracted staff, and Bank charges, advertising expenses, training fees for individuals with prior agreement with the bank for professional development, but exclude any salaries and allowances of civil servants. The IOC procurement will be fully managed by the procurement directorate civil servants other than the individuals who are introduced to work on the major procurement activities.

19. **Advance Procurement:** The procurement of all Facilitating Partners (FPs) will be started in advance and proper deadlines as mentioned above will be followed.

20. **Procurement Plan:** The first draft of the PP prepared by the project consists of several packages including those requesting the services of the FPs. More packages and detail packaging will be decided once the PPSD is finalized. This PP is initially for 18 months and could be revised any time. The PP will be available in the project extranet portal.



ANNEX 9: Financial Management Arrangements

1. Afghanistan is a unitary government and has a centralized public financial management (PFM) architecture. The Public Finance and Expenditure Management Law 2005 (PFEML), sets out the responsibilities, authorities and obligations related to the management of public finance in the country. Ministry of Finance (MOF) has a dominant role in preparing and managing annual government budget. It is also responsible for treasury functions, government financial reporting as well as tax policy and administration. At the provincial level, Mustofiasts as MOF representatives perform treasury functions. The central line ministries have the mandate of country wide public service delivery. Accordingly, they prepare and after approval of the Parliament execute their annual budgets. The central line ministries are also responsible to maintain an internal audit function as required by PFEML. The Supreme Audit Office Law 2013 requires the Auditor General to conduct annual audit of the government accounts.

2. The recent Public Expenditure and Financial Accountability (PEFA) assessment (July 2018) noted that the government maintained aggregate fiscal discipline by controlling expenditure within available resources but the budget credibility remains poor and the overall control environment is weak. MOF uses Afghanistan Financial Management Information System (AFMIS) to manage budget execution that includes budget control over spending. The expenditure authorities are centralized, which creates spending rigidities and hampers innovations in service delivery. The service delivery units have virtually no role in budget planning and execution. Over the last three fiscal years, approximately half of the development budget remained unspent. Although the prescribed internal control framework is reasonably detailed, compliance is varied. The control systems for payroll are insufficient and represent a major weakness for a significant proportion of expenditure. The asset and liability management and monitoring of fiscal risks displayed considerable gaps.

3. The budget allocation mechanism is largely incremental and impedes the linkages between the budget and policy priorities. Owing to the lack of required financing and uninformed budget allocation decisions, the social sector strategies have not been adequately funded. Weak budget expenditure execution is the result of poor project selection and inadequacies in the entire public investment management cycle—project preparation, project appraisal, execution and monitoring and evaluation. The budget documents lack the required performance information; the Chart of Accounts does not facilitate information availability to the service delivery units; and there are no performance plans for service delivery. Consequently, the performance orientation of the entire budget formulation and execution process is undermined.

4. Based on the assessment, the financial management risk for the project is assessed “Substantial”.

FM Risk Matrix		
	Risk identification	Risk mitigation
1	Operational advance: Under MRRD, the projects including AREDP, CCAP and ARAP have operation advance mismanagement in the past three years. For example: 1. Purchase of fixed assets form operational advance: under CCAP 2.89 Million AFNs during second half of FY 2017, and under ARAP 6.00 Million AFNs during FY 2016-2017, which is not allowed to be purchased from operational advances as per FA and MOF guidelines. 2. Non-clearance of operational advance at the end of FY: Under ARAP AFNs 10,720,000 was remaining unsettled at the end of FY 2017. 3. Recording operational advance as expenditures on receipt: under AREDP all operational advance has been recorded as cost on receipt,	1. Implementation of FM manual developed by the Bank, which contains detailed control procedures on operational advances. 2. The opening and ending balance of the operational advance needs to be presented on each IUFR. 3. The clearance of operational advance by each recipient on every fortnight. 4. The operational advance needs to be treated as receivable from all recipients.



	<p>which resulted in overstated expenditures.</p> <p>4. Cash payment out of operational advance for above 50,000 Afghanis per transactions: Under CCAP over 3,000 transactions were observed to have been above 50,000 Afghanis while paid through operational advance. The total of the transactions was 56 mn Afghanis.</p>	
2	<p>MIS development completion and its verification: The MIS for community grant management is under development and hopefully to be onboard by end of November 2018. However, the delayed completion of MIS and its verification is considerable risk that might affect the final beneficiaries of the community grants and overall grant management of the project.</p>	<p>1. MIS development and its verification has been put as disbursement condition for category 2 and 3, which are the seed capital and catalytic grant. As without a functional prudent grant management mechanism, an operation of this scale may cause accountability issues.</p> <p>2. Increase the number of qualified developers (for short term) to complete the first draft within the October 2018 to have sufficient time for testing and verification.</p>
3	<p>Cash Payment by VSLA to SGs, EG's/PA's: There is considerable risk in transferring the cash amount to SG's, EG's/PA's by the VSLA in the remotest areas, that includes any potential case of embezzlement, and robbery.</p>	<p>1. The VSLA bank account should have at least three signatories for any withdrawal.</p> <p>2. There should be ceiling amount for any single transaction that may be transferred at a time to a VSLA bank account.</p> <p>3. The project team should add further mitigating measures at the ground level.</p>
4	<p>Late payments of community grants even after maturity date: The huge number of beneficiaries creates an inherent risk of missing any payment of community organizations for considerable time even after maturity, and there is also a risk of not spotting any human error in not transferring the due amount to the right VSLA account either during requisition or during final payments through bank transfer.</p>	<p>1. Include a triggering feature in the MIS to automatically highlight any due payment of the community organization eligible for payment.</p> <p>2. Once the requisition for a community grant is approved, the MIS records should show "payments pending" for the grant.</p> <p>3. "payment completed" should only be triggered once M16 reference (payment voucher) and bank transfer code is inserted in the MIS.</p>
	<p>Application of the new software for accounting (Quickbooks) with now previous experience: The project will be using Quickbooks software, which is new to the project and was not used in the previous project (AREDP).</p>	<p>1. The chart of accounts needs to be shared with the Bank Team before inserting it in the Quickbooks.</p> <p>2. All the finance team in of the project in Kabul should have at least one-month training of the software by November 2018.</p> <p>3. For the first FY (2019), a backup financial data will be kept by the project in MS excel as they had been doing in the AREDP.</p>

Proposed Financial Management Arrangements

5. **Resources/Personnel** - The project will be implemented by MRRD and the finance director of FM directorate will be responsible for FM matters of the project and the PIU set up within the ministry will be responsible for the day to day operations. The FM team responsible for the project will consist on a total 12 staff. In the project HQ five staff (head of finance, senior finance officer, and 3 finance officers) and one admin financier each in the 7 regional offices.

6. **Budgeting** - For annual budget preparation, detailed guidelines are available in the financial management manual developed by the Bank, which will be adopted for the project. The Project budget would be based on the procurement plan and annual work plan. The annual budget will be broken down into quarters to facilitate budget monitoring. Actual expenditures will be monitored against quarterly budgets, and will also be reported to the Bank.

7. **Project Budget:** The total project cost of WEE-RDP is estimated at US \$100 million, out of which \$75 million is the contribution by Afghanistan Reconstruction Trust Fund (ARTF) and rest US \$25 million will be funded from



International Development Association (IDA) Grant of the World Bank. Additionally, the community contribution of at least US\$ 15 million in the form of community savings will be mobilized, which is above and beyond the project costs. The following table summarizes the component and sub-component wise overall project costs of WEE-RDP as well as the disbursement projections are given below.

WEE-RDP Project Budget by Component (in US\$ Millions)

S. N.	Project Components/Sub-components	IDA	ARTF	Total
1.	Community Mobilization and Institution Development –			30.00
1.1	Promotion of Women’s Self-Help Groups (SHGs), Enterprise Groups (EGs) and their Associations/Clusters	4.2	12.6	16.80
1.2	Training and strengthening of Women’s Groups and their Associations/Clusters	3.3	9.9	13.20
	Sub-Total	7.5	22.5	30.00
2.	Building Access to Finance and Linkages with Financial Institutions-			39.00
2.1	Seed Funds to SHGs and VSLAs	9.0	27.0	36.00
2.2	Development of innovative financial products and services & building partnerships with MFIs & Commercial Banks	0.75	2.25	3.00
	Sub-Total	9.75	29.25	39.00
3.	Providing Technical Assistance and Improved access to Markets-			18.00
3.1	Capacity Building/Technical Assistance to EGs and PAs	0.9	2.6	3.5
3.2	Catalytic Grants to EGs and PAs for Common Assets	2.25	6.75	9.0
3.3	Promoting Private-Public-Community Partnership	1.4	4.1	5.5
	Sub-Total	4.5	13.5	18.00
4.	Project Management and Knowledge Management	3.25	9.75	13.00
	GRAND TOTAL	25.00	75.00	100.00

Year Wise Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2019	2020	2021	2022	2023
Annual IDA	2.31	6.49	7.30	5.46	3.44
Cumulative IDA	2.31	8.79	16.09	21.56	25.00
Annual ARTF	6.93	19.47	21.9	16.38	10.32
Cumulative IDA	6.93	26.4	48.3	64.68	75.00
Total	9.24	25.96	29.2	21.84	13.76
Total Cumulative	9.24	35.19	64.39	86.24	100.00

8. Accounting and Financial Reporting - Cash basis of accounting will be followed for the project. There are two level accounting arrangements for the project one at national level and other at project level. MoF is responsible for accounting and annual reporting of all the projects at the national level and records the financial transactions in AFMIS.



There will be parallel accounting and reporting arrangements at the project level to record financial transactions on daily basis and report to the Bank quarterly. The project will use Quickbooks software for the accounting. The project will also keep a back data for all financial records in MS Excel for the first financial year. The quarterly IUFs will compare actual expenditures to budgeted expenditures, and explain significant variances. IUFs will be submitted to the Bank within 45 days of the close of each quarter. The FM manual developed by the Bank provide details of accounting records and book of accounts to be maintained for WEE RDP that at minimum will include;

- (a) Advance register - to record the advances made
- (b) Cash/ Bank Book – to record all cash/ bank receipts and payments
- (c) General Ledger – to record all receipts and payments
- (d) Asset Register – to maintain up to date record of assets procured
- (e) Invoice Register – to track payments
- (f) Contract Register – to record all contract payments
- (g) M-16 register - to record all the expenditures/ payments
- (h) Taminat Register - to record the amounts retained from the payment made to vendors

9. **Chart of accounts (for Quickbooks):** The project team will develop a chart of account, which will be used for Quickbooks. It has highly been recommended to design the chart of account in line with AFMIS system of MoF, reporting requirements by the Bank, and disbursement categories. The project team will share the draft CoA with the Bank's FM team before finalizing it in Quickbooks.

10. **MIS for Grant Management of community grants:** The MIS for Grant management of community institution will be used for WEE RDP. However, certain additional features need to be incorporated in the current software. The MIS team of CCAP in MRRD will assist technically WEE RDP MIS team to incorporate the following features:

- Online data entry by all regional offices.
- Software control over data entry where specific users have limited editing and approving authority.
- Scanned copies of supporting documents are archived for each transaction.
- Complaints and grievances feedbacks are integrated with the MIS.
- The grants transactions will be integrated with financial transactions for better audit trail.
- Triggering feature to systematically highlight any due payments.

11. **Integration of MIS grant management database with project accounting records:** Although there will be two separate records for accounting records of the project and the grants management, integration of the both records will be made up to the level possible. This will improve accountability, classified reporting, and systematic reconciliation for any requirement period. All the grants requisition will have specific references in the MIS. Once the requisition is approved, the MIS records will show “payments pending” for the grant. The voucher references (M16) and individual transfer code to VSLA account will trigger the requisition amount as ‘payments completed’ and the grant is then considered disbursed. This will help two-way traceability for the grants, improved audit trail, and better control over timely payments to the eligible community organization.

12. **Internal Controls:** The project will follow its operational manual for daily business. For the FM related issue, the financial management manual developed by the Bank will be applied for the project. It includes details on the FM arrangements and disbursements procedures for the project, including but not limited to staffing arrangements at various levels, reporting lines, allotment and payment processes, documents retention and control mechanism at various levels, service standards for document processing and documentation requirements for grants. The manual includes internal controls for:



- *Authorization and Approvals:* For payments to be made from in the participants municipalities, the financial and administrative authority will be exercised in accordance with the approved delegation of powers.
- *Verifications:* For each payment, the FM section will review that the payment claim is appropriately supported by documents, complies with approved policies, and has been approved by the competent authority.
- *Physical Controls:* The coordination unit will maintain a fixed asset register for assets procured from grant proceeds. All assets will be tagged and periodically verified.
- *Reconciliations:* A reconciliation with AFMIS, project records, client connection, and bank statement will be carried out on a monthly basis. Any difference in the reconciliation will be reviewed and the reasons for the difference will be documented.
- *Supervisory Controls:* Monthly reconciliations will be approved by the head of finance within the coordination unit, while the annual physical stock verifications reports will be approved by MRRD leadership.
- *Document retention:* The FM manual will outline the documents retention policy for the project records.

13. **Internal Audit.** Internal audit for the project will be conducted semi-annually by MoF internal audit department to. The semi-annual internal audit reports will be submitted to the Bank throughout the project life.

14. **Fixed Assets.** Fixed assets register will be maintained by the project for assets purchased from grant proceeds. Assets will be coded and a system of annual physical verification will be maintained. All the fixed assets purchased under AREDP will be transferred to WEE RDP. The project team will conduct a fixed asset verification of all the assets purchased under AREDP including the assets in the regional offices and HQ and will share the fixed asset verification report to the Bank by end of October 2018.

15. **Operational Advance:** The project is supposed to have higher amount of operational advance for community mobilization, trainings, and IOC. The project's FM team will make sure to keep the level of operational advance at the lowest possible level due to higher risk associated with the cash amount out of the DA. The advance recipients at the regional offices and the project HQ will need to clear their advances every fortnight. The operational advance will not be treated as expensed amount in the financial statements and will only be considered as expenditure once the actual cost is incurred, payment is made and the supporting documents are received. All operational advances extended to project personnel (or Government *Mohtammad*) should be considered receivables in the books of account. The ceiling amount (tbc) for the HQ is USD 15,000 and USD 5,000 for each of the 7 regional offices.

16. **Funds Flow and Disbursement Arrangements:** Disbursement will be report-based. Separate designated account for each grant (ARTF and IDA) will be set up in the central bank (DAB). Designated Account will be denominated in US Dollars, and funds will be front loaded based on six months' cash forecast. Subsequent IUFRs will be used to document the expenditure and determine the amount of advance on quarterly basis. The IUFRs will have segregated reporting for each grant and meanwhile a consolidated report will be kept for the whole project. The Bank's FM team will share the format of IUFR with the project and will arrange subsequent training(s) for the project FM team.

17. **Clearance Accounts and VSLA accounts:** Two clearance accounts (CAs) designated in USD will be opened at DAB to facilitate control, reconciliation, and traceability of community grants. The clearance accounts will not function as a parallel to DA but a subsidiary of the DA. A separate account will be opened for each VSLA and all the eligible community grants to SGs, VSLA, EGs will be transferred through these accounts. The VSLA account will be a joint account by members of a VSLA and will have at least three signatories to withdraw any fund. The transfer from DA to CA and to VSLA account will be simultaneous and the clearance account is assumed to have a zero balance during operation. The project will report opening and ending balance of the account in each of the financial reports (if any).



18. **Funds flow arrangement for the ‘seed capital’ and ‘catalytic grant’:** Both the community grants ‘seed capital’ under component 2.1 and ‘catalytic grant’ under component 3.2 will be transferred through VSLAs’ special account. The community grants will be transferred from DA to CA in tranches, and thereon it will be transferred to each VSLA account. A disbursement voucher (M16) will have the list of transfer amount to be made for each requesting VSLA under either grant and a (bulk) transaction will be made from DA to clearance account and thereon to each VSLA account. Seed Grants under component 2.1 will be considered disbursed (and expenditures recognized by the Bank) once fund transfer is made from the clearance account to the VSLA’s individual account; i.e. Bank funds will be capitalized as part of the revolving funds of the VSLA accounts; expenditure recognition by the Bank for the case of Catalytic Grants under component 3.2 of the project will be on actual basis. VSLA members will have the joint responsibility to make the cash payments to individual SGs, EGs/PA. VSLA’s will have a centric role of community grant management on the ground as well as in the project’s grant management database (MIS).

19. **Disbursement Condition:** The disbursement of community grants (seed capital and catalytic grant for joint assets) will be subject to successful completion of MIS development, it’s testing, and verification. The MIS team of WEE RDP, with coordination of MIS team of CCAP, is currently editing the MIS used for AREDP to bring additional features and integrate it with accounting records. The MIS is expected to be completed and verified by end of November 2018 before effectiveness of the grant. However, any extended delay may postpone disbursement of community grants as the absence of the MIS will create high risk of accountability for the complex grant operation.

20. **Disbursement categories:** There will be three categories of disbursement. The category number 2, and 3 will be subject disbursement condition as mentioned in the above paragraph.

Category	Amount of the Financing Allocated (expressed in USD) ARTF	Amount of the Financing Allocated (expressed in SDR) IDA	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training, and Incremental Operating Costs for the Project	41,250,000.00	9,830,000.00	100%
(2) Seed Grants under Part 2 (a) of the Project	27,000,000.00	6,440,000.00	100%
(3) Catalytic Fund under Part 3 (b) of the Project	6,750,000.00	1,630,000.00	100%
TOTAL AMOUNT	75,000,000.00	17,900,000.00	

21. **External Audit:** The SAO, with the support of consultants, carries out the annual audit for all ARTF/Bank-funded projects. The same audit arrangements will also be used. SAO will submit to the Bank, annual audited project financial statements and management letter within six months of the close of the fiscal year. The financial statements of the project audit will be prepared by the MoF based on AFMIS records. There is a common ToR for the audit of all projects that is reviewed by the Bank on a yearly basis. **There are no overdue audited financial statements** or unsettled ineligible expenditure in respect of the project implementing entity.

22. **Retroactive Financing:** The project will have retroactive financing from the IDA funds up to USD 1,500,000 valid for the period July 01, 2018 to grant’s effectiveness date.



ANNEX 10: OP 10.00 Compliance Review

OP10 Compliance Review: Afghanistan WEE-RDP Project (P164443)

Mike Goldberg, August 27, 2018

1. Since this project includes a line of credit, it requires an OP 10 compliance review. This review ensures that the project does not contradict financial sector policy dialogue with the national authorities, and does not promote unsustainable practices (such as using financial institutions that do not meet soundness requirements, loan designs that do not include good practices design elements, poor client selection, or ineffective loan contract enforcement). This review does not include the capitalization/seed capital grants nor any matching grants, since those are not repaid and therefore are not a form of financial intermediation. However, since the VSLAs would play multiple roles with several actors and products, the discipline of lending could suffer. This is the most significant risk facing the project.
2. **Summary.** The project will be working in rural areas, establishing savings groups (SHGs) and village savings and loans associations (VSLAs, a local apex of the SHGs). A third type of entity, the enterprise groups (EGs), will be formed organically during the life of the project. There are three types of activities involved to support these groups – seed capital to establish the SHGs, seed capital to establish the VSLAs, savings from SHGs deposited in VSLAs, and loans with profit sharing arrangements from VSLAs to SHGs and EGs. All of this will be subject to Islamic financing practices, which prohibit the standard interest rate and loan contract approach in favor of ad hoc risk and profit sharing arrangements.
3. Given this complexity, and the amount of learning about what works that will take place during early implementation, it would be critical to success of Component 2 to have direct supervision of the VSLAs from the start. With an estimated 5,000, this will likely prove impossible. Since this is a trust based model, loan repayment incentives and credible enforcement approaches need to be in place at the start, with groups trained to apply and appreciate them. In addition, to reach scale, standardization is going to become critical – but with ad hoc profit sharing arrangements, each transaction will be unique.
4. Based on multiple discussions with task team members and a review of the available documentation, the project complies in general terms with OP 10 para 15 on financial intermediation. However, there is a significant reason for concern about how loan contracts can be enforced, and how VSLAs will be sustainable when relying on ad hoc profit sharing arrangements (under Islamic finance) instead of predictable interest rates. There are also major security concerns in rural areas that could make this relatively complex project difficult to implement on the ground. An additional concern is how risks will be covered, including force majeure risk and credit risk (on loans to SHGs by VSLAs, and on loans from microfinance institutions and commercial banks to VSLAs in the future). In other words, compliance on paper may not turn into good financial sector practices on the ground.
5. **Macroeconomic stability.** Lines of credit do not work well when there is a high level of uncertainty, created in part by macroeconomic problems (such as high inflation, uncertainty on government fiscal and monetary policies) and a history of favoritism and corruption that leads to large unproductive investment projects that might drive macroeconomic stress. The team recognizes this risk and rates it as Substantial in the SORT template. According to the Economist Intelligence Unit country report, there are several potential inflationary pressures – refugees returning from Pakistan, energy prices, and food prices, linked to security issues. However, the IMF estimates a 5% inflation rate in Afghanistan in 2018, so credit lines should be priced affordably to the client group.



6. **Financial sector performance.** The financial sector performance has been a problem for state banks, including highly visible bank failures and restructurings, and the Bank is currently supporting critical changes in this sector. The Bank and CGAP have been supporting MISFA for several years, to help professionalize the microfinance sector, and there are five sound MFIs that could become a source of finance for VSLAs in the future. Overall, financial sector performance has historically been a concern.

7. **Apex and retail arrangements.** The VSLAs will be financial intermediaries, collecting excess SHG savings and lending them to other SHGs or to newly formed enterprise groups. The task team stated that VSLA sustainability is key to the success of the project. There will be a VSLA grading system in place to measure returns generated compared to costs incurred, and the highest rated VSLAs will be good candidates for loans from MFIs and possibly commercial banks.

8. Given that there is no supervision of VSLAs, it would be critical to have a certification process to insure basic practices and systems are in place before seed capital is provided. For VSLAs that initially meet requirements and later do not, there needs to be a decertification or strengthening process in place – and this would have ripple effects for groups who have provided their savings. As for the eventual participation of MFIs, there is no law in place yet, which might limit their role. However, efforts are underway to pass a law to provide clear legal status and supervision arrangements.

9. **Flow of funds by institution, pricing and risk taking along the entire flow of funds.** The team has assured that there is no foreign exchange risk. Given security and natural disaster risks, there should be some agreement before project launch about how force majeure risk will be absorbed by the project or the Government. Clear credit risk coverage (for potential non-payment by VSLAs borrowing in the future) should be in the final PAD and the operational manual (for adjustment with Bank no objection over time to adjust to changing national and local conditions).

10. **Monitoring and Evaluation, and Indicators.** Loan portfolio repayment problems can occur quickly, if M&E and portfolio quality indicators are not included. The project includes an excellent indicator for outreach – number of first time women borrowers from formal financial institutions. However, portfolio quality (usually measured by the more conservative portfolio at risk 30, 60 or 90 days) would be an important management tool to track portfolio quality. The indicators should demonstrate the viability of the target group as borrowers, both in terms of scale (outreach) and loan repayment performance. This will open the doors wider to microfinance institutions and commercial banks in the future.

11. **Relationships with IFC and other Bank activities.** Another Bank-supported project is strengthening the state banks, and there may be synergies to pursue during implementation.