



Afghanistan: Country Snapshot

March, 2014



EXECUTIVE SUMMARY

Economic Performance

Growth slumped to 3.6 percent in 2013 from 14.4 percent the year before as consumer and business confidence fell ahead of presidential elections in April, and as NATO-led forces prepare to pull most of their troops out later this year. Company registrations dropped to the lowest level since 2008, offering a proxy for the pullback by investors in the face of mounting uncertainty over the looming political and security transition. Opium production increased substantially last year, although the value of the crop remained around four percent of GDP, due to lower prices. Inflation stayed under 10 percent in 2013.

Poverty Reduction

Despite five years of economic growth, the country has made no progress in poverty reduction. Afghan business is dominated by small firms, most of which are younger than four years. Instability, corruption, access to land, credit and electricity all rank as serious obstacles to development.

The Afghan financial sector is still overshadowed by the collapse of Kabul Bank and the privatization of New Kabul Bank has not yet been finalized. The crisis highlighted serious supervisory shortcomings at the central bank, and regulatory weakness of the financial sector remains a key concern.

Infrastructure is a major challenge. Afghanistan has one of the lowest rates of electricity usage in the world. Power outages are common in Kabul and less than 10 percent of rural areas are on the grid. Energy demand is growing, but the sector is dogged by distribution losses and other capacity constraints. Oil and gas prospects in the north, as well as domestic coal, could provide important energy sources in future.

Agriculture is a vital source of growth, employment and subsistence. But three decades of conflict have destroyed much farming infrastructure, limiting the sector's capacity to lift output and contributing to severe food insecurity. Transportation, heavily dependent on the road network, is similarly frayed. Despite major efforts in the last 10 years, 85 percent of national roads are in poor shape and most cannot be used by motor vehicles. Rapid urbanization is creating another strain, although it could also help boost growth over time through the economic benefits of clustering population and commerce.

Education has seen progress on enrollment, including of girls, but remains a serious challenge due to a

lack of qualified teachers and school facilities. Adult literacy rates are among the lowest in the world. Health services have also made progress in the last decade, although Afghan health indicators are still below average for low income countries and the country has one of the world's highest levels of child malnutrition. Afghanistan's social safety nets remain fragmented and poorly funded.

The World Bank in Afghanistan

The World Bank Group's program in Afghanistan is guided by an interim-strategy note. Funding for the Bank's country program comes from the International Development Association (IDA) and the Bank administered Afghanistan Reconstruction Trust Fund (ARTF). These jointly deliver about \$1 billion in annual grants, with IDA contributing around \$150 million and the ARTF contribution \$800 million to \$900 million. The International Finance Corporation (IFC) has additional committed investments of \$131 million. The World Bank Group's Multilateral Investment Guarantee Agency has \$155 million of gross exposure in Afghanistan, supporting telecoms and agri-business projects.

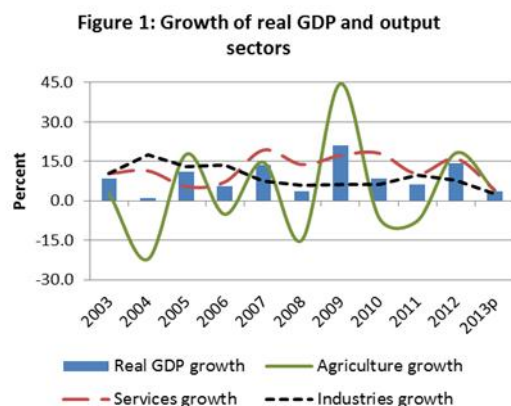
Portfolio management is quite strong. It includes 26 ongoing operations across a wide range of sectors, including education, health and capacity-building. Steps have been taken to improve performance by restructuring several programs. IFC's portfolio includes two investments in telecommunications, a hotel investment, and two banks, including the country's first licensed microfinance. The program aims to build the legitimacy and capacity of its institutions, while fostering the equitable delivery of services and inclusive growth and jobs. Bank support targets areas that can strengthen revenue mobilization and improve the investment climate in sectors with high growth potential. It also has a strong focus on governance and gender.

COUNTRY SNAPSHOT

Growth

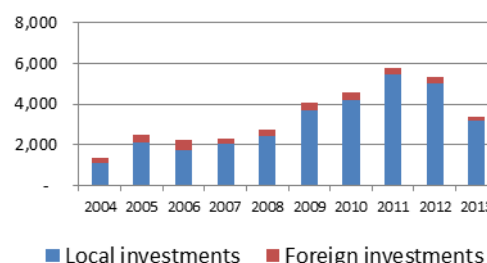
After rapid growth in 2012, economic activity slackened considerably in 2013, with heightened uncertainty leading to a sharp slowdown in the non-agriculture sectors. Real GDP growth is estimated to have pulled back sharply, from 14.4 percent in 2012 to 3.6 percent in 2013. Growth in 2012 benefited from an exceptional agricultural harvest and rapid service sector expansion. While agricultural output in 2013 exceeded even the bumper harvest of 2012, increased uncertainty surrounding the political and security transition has led to a slump in investor and consumer confidence and resulted in a sharp slowdown in the non-agricultural sectors. Agriculture accounts for about a quarter of GDP (excluding opium) and also has strong links to the rest of the economy, so that the robust agricultural output in 2013 would normally have buoyed overall GDP. However, with the services and construction sectors particularly hard hit by the slump in confidence, 2013 would mark the first year that bumper agricultural output has been accompanied by overall GDP growth under 5 percent.

Agricultural output in 2013 reached record levels for a second consecutive year as a result of favorable weather conditions. Cereals production in 2013 is estimated at 6.5 million metric tonnes, an increase by 2.7 percent over the previous year and the highest level achieved over the past decade. Given favorable precipitation, particularly for the second harvest season in the year, the Ministry of Agriculture, Irrigation and Livestock (MAIL) also estimates very favorable horticulture – particularly fruits – and livestock output in 2013. While the record agriculture output in 2013 helped to counterbalance the overall confidence shock to the economy, it was up only modestly over the bumper harvest of 2012 and was thus not sufficient to fully circumvent the overall slowdown in GDP growth.

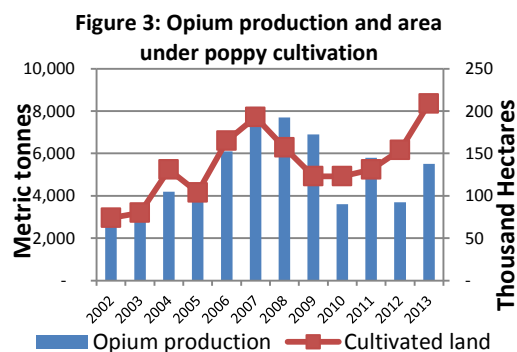


Private investment and growth in construction, manufacturing and services slowed considerably in 2013 due to increased uncertainty. Heightened uncertainty about the political and security transition affected investor decisions to commit resources in Afghanistan in 2013. The number of new firm registrations fell sharply in 2013 to its lowest level in five years, with a reduction in both local and foreign new fixed investments (Figure 2). The Afghanistan Investment Support Agency (AISA) registered approximately 3,100 enterprises in 2013, down 38 percent from around 5,000 in 2012. The reduction in new firm registrations in 2013 has taken place across all sectors, with construction and services particularly hard hit. Although no high-frequency data are available on firm inventories and gross fixed capital formation, new firm registrations should be a relatively good proxy for business confidence and investment activity in the private sector.

Figure 2: New firm registrations since 2003, by source of investment

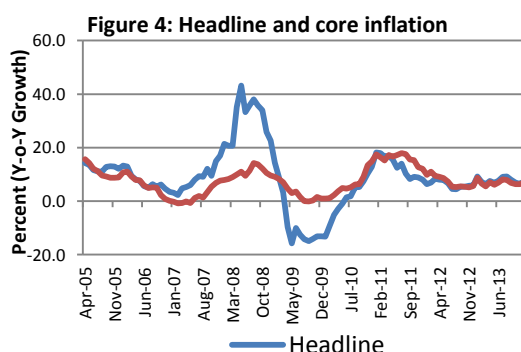


Both opium production and area under poppy cultivation increased considerably in 2013. According to UNODC data, opium production increased by almost 50 percent to 5,500 tons in 2013, while the total area under poppy cultivation expanded by 36 percent to 209,000 hectares (Figure 3). Opium production in 2013 appears to have recovered from the decline in 2012 triggered by adverse weather and disease. While the total value of opium production at farm-gate prices remained at about 4 percent of GDP (or \$950 million) in 2013 due to a decline in the farm-gate price, the export value of opiates (including drugs) increased from 11 percent of GDP in 2012 to 15 percent of GDP – or \$3.1 billion – in 2013. The UNODC estimates that the net value of the domestic market for opiates is far smaller, worth approximately one percent of GDP or \$200 million, compared to the net export value of opiates which is around \$2.9 billion. Despite substantial financial flows from opium production, analysis suggests that the contribution of opium to economic growth in the past ten years has been minimal, although it is likely to be an important source of livelihood for a segment of the rural population.



Inflation

Consumer prices inflation remained below 10 percent throughout the year. Period-average headline inflation increased slightly to 7.7 percent in 2013, up from 6.3 percent in previous year, but remained in single digits throughout the year. Further, as shown in Figure 4, Afghanistan has enjoyed a period of relative price stability in the last two years compared to the fluctuations and acute swings in prices which occurred during and after the 2008 world commodity price crises. Food price inflation exceeded non-food inflation in the second half of 2013, in contrast to the first half of the year. Food price inflation (year-on-year) was 9.8 percent in December 2013, up from 4.4 percent in December previous year. On the other hand, non-food prices moderated from 7.4 percent to 4.8 percent over the same period.

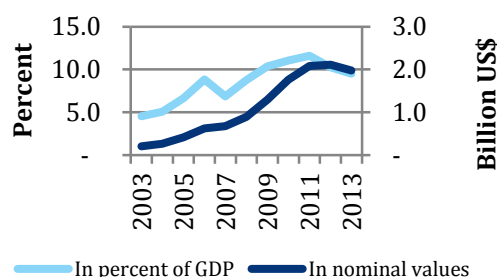


Fiscal sector

After a decade of strong revenue growth, domestic revenue collection weakened in 2012 and fell further in 2013. Domestic revenues declined to 9.5 percent of GDP in 2013 down from 10.3 percent in 2012 and 11.6 percent in 2011 (Figure 5). In nominal terms, domestic revenues amounted to Afs 109.4 billion (\$1.9 billion) in 2013 compared to Afs 108.9 billion (\$2.1 billion) in 2012. Both tax revenues and customs duties – which make up 48 percent and 26 percent respectively of

all revenues – declined as a share of GDP. More specifically, income tax and sales tax revenues – which together represent 32 percent of revenues – decreased even in nominal terms, by 8.2 percent and 10.4 percent, respectively. The decline in revenue collections is a result of the economic slowdown as well as weaknesses in enforcement in both tax and customs administration. Increased uncertainty around the political and security transition has likely encouraged greater rent-seeking and tax evasion activity. Further, changes in the structure of imports – shifting away from high-tariff items towards low-tariff goods – are also likely to have impacted customs revenues.

Figure 5: Domestic revenue performance since 2003



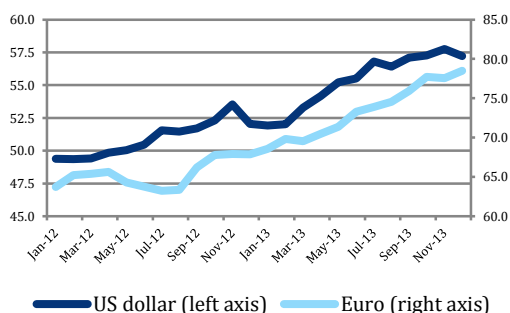
Public expenditures increased only very modestly in 2013 to 24.2 percent of GDP, with austerity measures particularly affecting civilian recurrent and discretionary development spending. Afghanistan's medium term fiscal framework is one where total budget spending is projected to rise over time as more off-budget spending (currently estimated to be as large as budget spending) comes on budget. In 2013, however, total budget spending increased only very modestly to 24.2 percent of GDP (\$5 billion) from 23.8 percent (\$4.9 billion) in 2012, as shown in Figure 6. This is considerably lower than the previously projected budget spending of 26.7 percent of GDP for 2013 and is a result of austerity measures put in place given the weak revenue collection and overall lower discretionary resources. With more security spending moving on budget, on-budget security expenditures increased to 11.5 percent of GDP in 2013 from 10.4 percent in 2012 (see Figure 7). Civilian expenditures, on the other hand, declined to 12.8 percent of GDP in 2013 from 13.4 percent in 2012, as the government tightened public spending following the mid-year review of the budget. Spending on sectors such as education, health, and agriculture and rural development increased modestly or held steady, while lower spending on infrastructure and economic governance accounted for most of the decline in civilian expenditures in 2013.

While the grant share of budget financing is normally projected to rise due to the on-budgeting of off-budget spending, the decline in revenues has exacerbated this trend. Revenues financed 55 percent of recurrent expenditures and 39 percent of total core expenditures in 2013, while these ratios were respectively 60 percent and 43 percent a year earlier. As a result, the financing gap increased from 13.5 percent of GDP in 2012 to 14.9 percent in 2013. As Figure 8 shows, the financing gap for core budget has widened considerably since 2011, both due to the on-budgeting of off-budget spending (as expected), but also due to weakness in domestic revenue collection.

External sector

The Afghani continued to depreciate against the US dollar and the euro in 2013. The exchange rate depreciated by, respectively, 8.8 percent and 12.3 percent vis-à-vis the US dollar and the euro. The depreciation is largely in line with expectations and is explained by a number of factors. First, the drawdown in international security forces which started in 2012 and is continuing through 2013, can affect capital inflows and thus the exchange rate trend. Second, increased uncertainty surrounding the political and security transition could raise demand for foreign exchange and lead to an increase in the pace of capital flight. Finally, official grants could be affected by slower policy implementation during the transition.

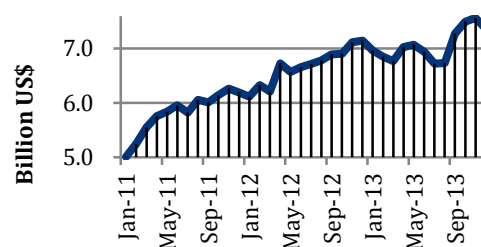
Figure 6: Afghani exchange rate against the US dollar and the Euro



Foreign exchange reserves closed the year at nearly the same level as at end 2012. While fluctuating throughout the year, gross foreign exchange reserves were recorded at \$7.4 billion in December 2013 compared to \$7.2 billion twelve months earlier. Increased fluctuations in monthly reserves – as shown in Figure 10 – and plateauing of end-year reserves are not unexpected in light of the political and security transition. Foreign exchange reserves could be affected by a slowdown in capital inflows and foreign grants during the transition period, as well as any changes in the pace of capital flight.

Nonetheless, the foreign exchange reserves are of the level that can finance around seven months of imports, which is an adequate level given the size of the economy. However, if abrupt swings happen in foreign grants and net capital inflows to the economy, a prudent management of foreign exchange reserves will be critical during periods of heightened uncertainty.

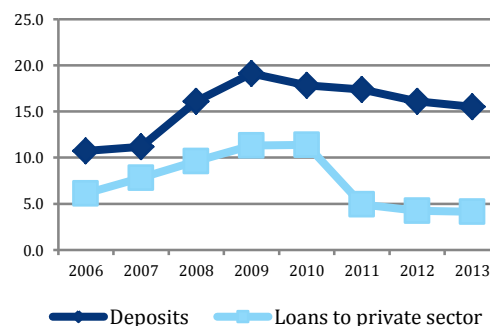
Figure 7: Gross international reserves (billion US\$)



Monetary and banking sector

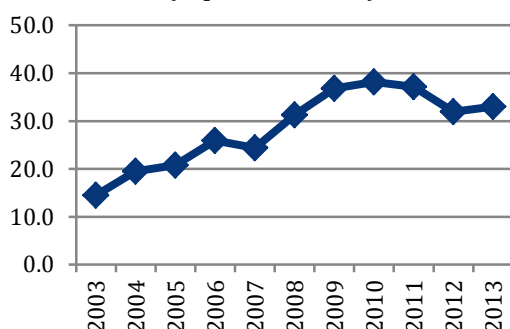
Money growth picked up towards the end of the year but still remains lower than the pre-2010 levels. Reserve money growth – which is currency-in-circulation plus required reserves of the central bank – increased to 8.5 percent in November 2013, up from 2.3 percent in December 2012. Though the money supply increased in 2013, it is still significantly lower than what it was prior to the Kabul Bank crisis in 2010. The Da Afghanistan Bank (DAB) uses reserve money as the nominal anchor for its open market operations. On the other hand, broad money (M2) – which is currency in circulation plus deposits in commercial banks (including transferable/demand, savings and time deposits) – grew by 9.5 percent in November 2013 and increased in percent of GDP from 32 percent in 2012 to 33 percent in 2013 (see Figure 12).

Figure 8: Loans and deposits of banks (in percent of GDP)



The banking sector has still not fully recovered from the Kabul Bank crisis. Deposits of the banking sector marginally increased to Afs 198 billion (\$3.4 billion) in November 2013, up from Afs 187 billion (\$3.6 billion) in December 2012. In percent of GDP, total deposits of the banking sector have in fact declined from 16.1 percent in 2012 to 15.5 percent in 2013. Lending to the private sector, on the other hand, has remained steady at around 4 percent of GDP or \$820 million. Both total loans and loan-to-deposit ratio remain sharply lower than the pre-crisis levels, as indicated in Figure 11. Lower lending is also impacted, to a certain degree, by increased perceptions of uncertainty by businesses and lower non-agricultural growth that lead to reduced demand for credit.

**Figure 9: Broad money, M2
(in percent of GDP)**



World Bank Program in Afghanistan

The World Bank Group's program to assist Afghanistan is built around three interlocking themes: (i) building the legitimacy and capacity of institutions; (ii) equitable service delivery; and (iii) inclusive growth and jobs. Afghanistan's overall performance toward development outcomes has been good, with considerable achievements in education and health, and more challenging results in urban issues and infrastructure and energy. All Bank operations are on-budget and support national programs.

The Bank provides support to policy reforms in areas critical to strengthening revenue mobilization and improving the environment for investment in sectors with a high growth potential. A recently approved programmatic Development Policy Grant is instrumental in this regard. In advance of the 2014 elections, the Bank is investing considerable effort in preparing policy notes in key areas to help the new government move forward with reforms.

The Bank has a strong focus on governance and gender throughout its portfolio. The Bank has a governance advisor in Kabul who advises task teams on issues including public sector reform,

institution-building and sub-national governance. Gender disparities remain pronounced in Afghanistan and gender issues continue to be integrated across the Bank's portfolio.

The World Bank Group's program in Afghanistan is governed by its joint Interim Strategy Note for FY12-14. The Bank also administers the Afghanistan Reconstruction Trust Fund (ARTF), the World Bank Group's largest single-country multi-donor trust fund. The ARTF provides grant support to Afghanistan based on a 3-year rolling financing strategy. Together, IDA and ARTF provide close to \$1 billion per year in grants (\$150m from the International Development Association [IDA] and about \$800-\$900 million from the ARTF). Additionally, the International Finance Corporation (IFC) has a committed exposure to Afghanistan totaling \$131 million.

Portfolio management is quite strong: The Bank's portfolio (including ARTF projects) comprises 26 ongoing operations across a wide range of sectors. The disbursement ratio for IDA was 26 percent in FY13. The ARTF disbursement ratio (slightly different methodology) was over 50 percent in FY13. The Bank has taken steps to improve portfolio performance by restructuring a handful of projects, adjusting procurement plans based on risk analysis and an appraisal of government fiduciary responsibilities, and improving project readiness, to name just a few initiatives. Supervision is also being enhanced through use of partner organizations in many projects, third party monitoring, and innovative information technology.

Extensive and well-received analytical work has been at the forefront of the Bank's engagement. Two pieces of analytical work in particular, [Transition Economics](#) and [Resource Corridors](#), played a crucial role in informing and advancing dialogue between the international community and Afghan government during the Tokyo Conference in 2012 and at the [2013 Senior Officials Meeting in Kabul](#). Highlights included an agriculture sector review to inform strategic investment and job creation, and continuing work on resource corridors that looks at strategic supply chains investment to produce economic spillovers from mining operations.

International Finance Corporation

IFC's portfolio in Afghanistan has more than doubled since FY08 - from around \$58 million to about US\$131 million, as of end-December 2013. IFC is following an integrated advisory and investment strategy focused on improving the investment climate, building capacity, and supporting selective investments in sectors with high development impact and job creation. Currently, IFC's portfolio includes two investments in the telecommunication sector (MTN - a joint project with MI-

GA-\$60 million and Roshan-\$65 million), one investment in the hotel sector (TPS-\$3 million), and two operations in financial markets (First Microfinance Bank-\$2 million equity, Afghanistan International Bank - trade facility).

Going forward, IFC is looking to expand its Afghan investment program in the areas of infrastructure, finance, manufacturing, and services. IFC has developed a pipeline of investment and advisory projects to be reviewed for implementation in August 2014 after the elections.

IFC's investments have had a transformational impact in the microfinance sector, in terms of access to finance and outreach, through the First Microfinance Bank (FMFB). FMFB is the first licensed private sector microfinance bank in Afghanistan, which was able to reach over 64,000 borrowers - 16 percent of whom are women. Similarly, IFC has had significant impact in the telecommunication sector by improving mobile phone access and services to the poor through the investment in Mobile Telephone Networks (MTN) and more recently in Roshan Telecom.

The investment program has been supported by a strong advisory services program in the areas of access to finance, investment climate, SME capacity development, horticulture/agribusiness and public - private partnerships (PPPs). At present, there are eight active mandates with a budget of \$5.7 million across business lines.

In Access to Finance, IFC is actively involved through: (i) assisting the central bank (DAB) with the set up and launch (in February and December 2013 respectively) of best-practice moveable collateral and public credit registries, in collaboration with the World Bank's "Financial Sector Strengthening Program"; (ii) building capacity of financial institutions, including IFC's two bank clients; and (iii) helping the Afghan government establish regulatory frameworks for leasing. IFC's past interventions include a comprehensive operational diagnosis of Kabul Bank and a review of housing sector lending. Furthermore, in the area of corporate governance, a new project has been launched to work with the commercial banking and supervisory departments of the DAB.

With respect to Enterprise Development, the Business Edge initiative has launched a second phase with the goal of facilitating business skills training of over 5,200 individuals (including 1,820 women) reaching 520 micro, small and medium enterprises (MSMEs) over the next three years. To date (in phase 1 and early phase 2), the Business Edge program has trained over 5,313 individuals, including 2,554 women (48 percent) and over 353 MSMEs, plus government and development organizations. In addition, IFC has partnered with nine local training providers to strengthen their capacity

and enhance the sustainability of the provision of management training services.

IFC has been providing support to SMEs in the Agribusiness sector through IFC's "Horticulture Export Cluster Development Project" which has recently completed its first phase. During phase 1, which came following a pilot phase, the project targeted 1,500 farmers and traders of pomegranates and raisins, helping them improve productivity both in terms of quantity and quality. Thanks to the introduction of new post-harvest practices for the two crops, the production of fresh and dried fruits nearly doubled. The project also supported the expansion of market opportunities, including a significant increase of exports to India for a value of more than \$4 million. In phase 2, IFC will focus on improving farmers' income by engaging with Afghani fruit processors to open a secondary market window for Afghan pomegranates. The aim is to reduce the vulnerabilities of handling fresh produce, while continuing to work on increasing access to markets for fresh and processed Afghan foods.

Business Enabling Environment: IFC has two primary interventions aimed at reforming the business regulatory environment. The **Trade Licensing Reform** Project (phase 1 recently completed) supports the government to create a transparent, comprehensive, and interconnected licensing regime in Afghanistan and works directly with the Ministry of Commerce and Industry to reform the central trade license and registration process. The results achieved through this project include a reduction in the number of steps and days required to issue a trade license. Phase 2 of the project will aim to solidify the gains achieved during phase 1 and expand the reforms into other provinces. Furthermore, IFC has been working with the Kabul Municipality to reform and streamline the **Construction Permit process** in order to reduce paperwork, required signatures, and processing time. The second phase of this project will attempt to reform regulations, further streamline the process, and expand the reform into additional municipalities with an overall aim to improve the permitting process and reduce opportunities for corruption in the construction sector.

In the space of public private partnerships (PPPs), IFC has focused on power distribution in Kandahar. In late 2012, IFC signed a contract with Da Afghanistan Breshna Sherkat (DABS) to design a management support contract to be awarded to a private contractor to improve the financial and operational efficiency of the Kandahar Operating Centre and power distribution in Kandahar. Since the initial mandate was signed, the project has been structured and was put to tender in January 2014. The tender is still in process and is expected to be completed by May 2014.

WBG collaboration has been growing. IFC has worked closely with the World Bank and the Multilateral Investment Guarantee Agency (MIGA) on joint programs to maximize impact and build on respective comparative advantages. In line with this strategic approach, IFC supported the establishment of the first collateral registry under the Bank's Financial Strengthening Program. IFC has also collaborated with MIGA on one of the telecoms projects (MTN). A workshop held in Dubai in January 2013 helped to identify opportunities for working jointly on transformational impact projects. To this extent, IFC and the Bank are preparing projects in the areas of mobile banking and rural solar lighting. Other projects being explored for potential IFC-Bank collaboration include a Horticulture and Livestock Project (as a result of IFC's successful intervention in the horticulture sector) and a Business Edge project. Furthermore, IFC is collaborating with the Bank in the preparation of sector policy notes for the newly elected government (following presidential elections in April 2014), and will jointly prepare a new Country Partnership Strategy as the current Interim Strategy Note (ISN) comes to an end.

IFC has engaged with Afghanistan since 2003 and has had a presence in the country since 2009. The IFC's office is located within the World Bank office in Kabul, with three full-time staff. IFC is looking forward to expanding its work in Afghanistan, including building upon new opportunities and more flexible instruments tailored towards Fragile and Conflict States.

Multilateral Investment Guarantee Agency

MIGA has \$155 million of gross exposure in Afghanistan, supporting telecoms and agribusiness projects. MIGA recently launched its "Conflict Affected and Fragile Economies Facility", which will boost the agency's exposure in Afghanistan. MIGA is currently supporting three projects in Afghanistan, of which one is a joint effort with the IFC in the telecoms sector (MTN) and the other two are MIGA-only (cashmere exporter, Traitex Industry and Mido Dairy).

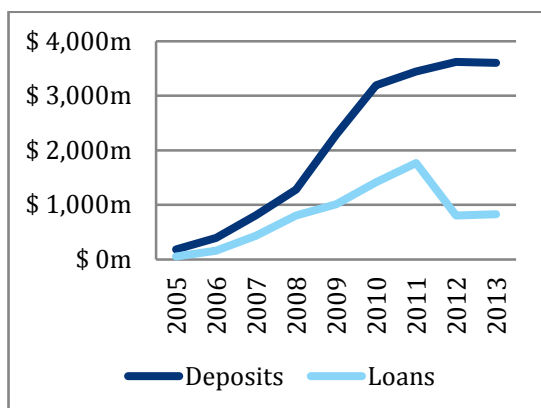
Recent Sector Developments

Financial Sector

Developments in the financial sector in 2013 continued to be overshadowed by the Kabul Bank crisis, which hit in September 2010 and exposed a number of serious systemic weaknesses. In April 2011, DAB announced that receivership proceedings would be instituted against Kabul Bank. A new "good bank" (New Kabul Bank) was created. As per agreement with the IMF, this new bank was put up for sale in September 2012 and, if no suitable buyers were found, was to be liquidated (originally by March 2013). The first privatization process failed, with the sole bid rejected in March 2013. The tender process was reinitiated in September 2013. In December 2013, the Ministry of Finance announced that Kru Capital won the bid for New Kabul Bank (with an offer of \$20 million in capital, plus \$8.5 million). However, the privatization process of New Kabul Bank still needs to be approved by the cabinet and the president.

The Kabul Bank crisis has revealed serious limitations in the capacity of the Financial Supervision Department at the central bank and the broader governance of the financial sector. A detailed report of the public inquiry into the Kabul Bank crisis was released in November 2012 by the Independent Joint Anti-Corruption Monitoring and Evaluation Committee. The conclusions are severe and highlight critical weaknesses in governance in the financial sector and more broadly (including the judiciary), at the highest levels. The report proposes detailed recommendations with regard to: governance, regulatory environment, supervision and enforcement, investigation and law enforcement, judicial proceedings, recoveries, sale of New Kabul Bank, monitoring and reporting. The report from the United States Special Inspector for Afghanistan Reconstruction (SIGAR) on Afghanistan's banking sector, released in January 2014, concludes that the capacity of the central bank to regulate commercial banks remains weak. DAB currently receives no technical assistance on banking supervision (there are no longer IMF advisers at the central bank). This is a key concern, as DAB still requires significant technical assistance to improve banking supervision, as highlighted by the SIGAR report.

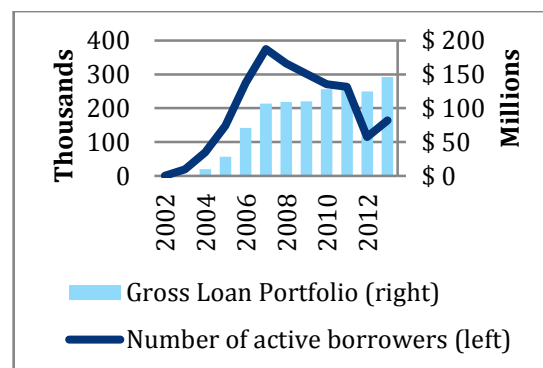
A nascent financial sector. As of November 2013, total assets of the banking system stood at \$4.2 billion. In addition, outstanding loans stand at \$828 million. As of November 2013, non-performing loans (NPLs) are reported at 8.1 percent of gross loans. However, these figures need to be treated with caution considering the large margin of error in financial sector performance indicators, which was demonstrated by the Kabul Bank crisis. DAB reports that the banking sector of Afghanistan registered cumulative profits of \$11.3 million between January and November 2013, which is an improvement compared with the same period the previous year, when the banks reported losses of \$35 million. Commercial banks are highly liquid: total loans stand at \$828 million, while total deposits amount to \$3.6 billion. However, there is a concentration of large deposits, which are quite volatile. Afghanistan's financial sector continues to be dominated by a large informal system and still does not play an important role in financing economic activity. Credit to the economy is extremely limited: in 2012, credit provided to the private sector stood at 4.1 percent of GDP. Despite efforts to promote financial intermediation, access to finance remains one of the major impediments to the growth of the private sector in Afghanistan today.



Although Afghanistan has made some progress in terms of financial outreach, there is still much work needed to raise formal financial sector activity. The banking system counts 2.653 million depositors, but only 67,742 borrowers for a population of 30 million. Bank coverage across the country is overwhelmingly concentrated in urban areas. Out of all loans extended, 79.9% are reported as being in Kabul province by DAB. The latest World Bank Afghanistan Investment Climate Assessment (released in 2014) reports that only 5.7 percent of firms have a bank loan and 2.2 percent of firms use banks to finance investments.

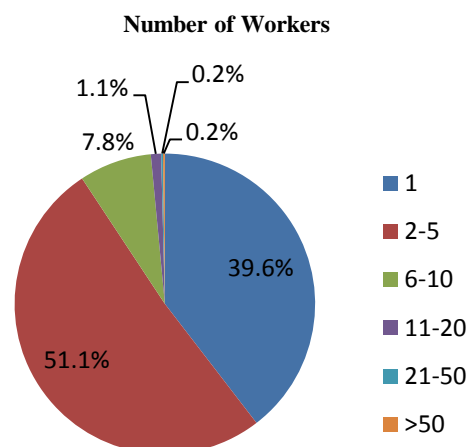
Microfinance has faced a major consolidation phase in 2008-12, following very rapid growth.

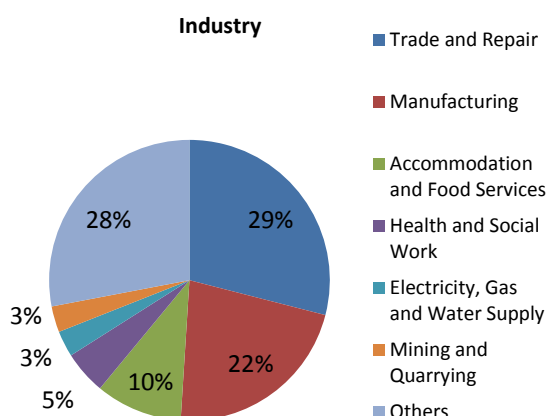
As of March 2013, the sector counted 310,123 clients (31 percent women) and 150,844 borrowers (38 percent women), with a total portfolio of \$122 million. The sector is dominated by one commercial bank which focuses on micro, small and medium enterprises.



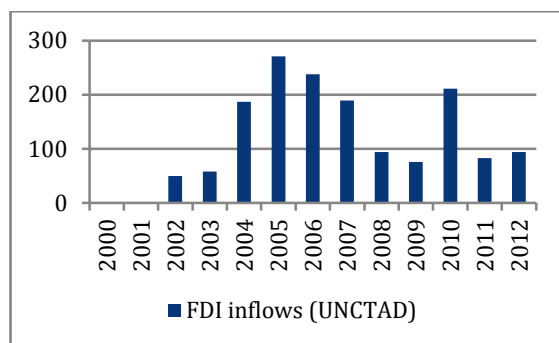
Business Environment

Afghan firms are young and small: half of the firms have been operating for 4 years or less, and 91 percent of firms have five workers or less (0.2 percent of firms have more than 50 workers). Firms are concentrated in: (i) trade and retail (29 percent); (ii) manufacturing, including food processing (22 percent); and (iii) accommodation and food services (10 percent) [IBES, 2009].





Foreign Direct Investment (FDI) has been declining, from an already low base. Inflows steadily increased between 2001 and 2005, reaching \$271 million. With the deterioration in national security, FDI inflows have decreased and been more erratic since 2006, standing at \$94 million in 2012 (UNCTAD). Gross domestic private investment has remained at the low level of eight to nine percent of GDP, with further declines in 2012 and 2013 (respectively 4.9 percent and 3.6 percent – IMF estimates).



The 2014 Enterprise Survey identified political instability, access to land and corruption as major constraints, as well as access to finance and electricity (see graph below on 10 top constraints, as a percentage of firms). Afghanistan ranks 164th out of 189 economies in the 2014 Doing Business report. It ranks particularly low on protecting investors (189); trading across borders (184); registering property (175); enforcing contracts (168); and dealing with construction permits (168). Only 5.7 percent of firms have a bank loan or line of credit and only 2.2 percent of firms use banks to finance investments.

Poverty and Labor Market

Despite sustained growth over the past five years, Afghanistan has made no progress in poverty reduction. Results from the latest National Risk and Vulnerability Assessment (NRVA) household survey conducted in 2011-12 show a poverty rate stagnating at around 36 percent, the same level measured in 2007-08 under the previous survey round. The lack of poverty reduction was accompanied by a significant upward trend in inequality. In particular, the Gini coefficient increased from 29.7 in 2007-08 to 31.6 in 2011-12, while the growth rate of per capita spending by the richest 20 percent of the population was three times higher than that of the poorest 20 percent. Stagnating poverty rates and increasing inequality suggest that the country's growth path is not improving socio-economic inclusion, but rather benefiting a few at the expense of the many. As a result of these trends, the bottom forty percent of the population commands only 21 percent of total consumption, and more than 50 percent of the population is vulnerable to descending into poverty.

High dependency ratios, low levels of female labor force participation and low labor productivity all contribute to shaping Afghanistan's poverty profile. Sustained population growth and a very young age structure produce a situation in which a relatively small number of persons in the economically productive age group (15-64) must provide for a large number of dependents under the age of 15. High economic dependency due to demographic pressure is further aggravated by extremely low levels of female labor force participation (19 percent) and the overwhelming prevalence of vulnerable forms of employment in informal and low productivity jobs (81 percent). Creating more and better quality jobs, especially in the agriculture sector, and improving the economic participation of women remain key constraints to poverty reduction, and crucial milestones in promoting a more sustainable and inclusive economic growth.

Public Sector Governance Structures

Afghanistan's public sector is highly centralized. Only central ministries and similar administration units receive funds from the national budget. Services at the provincial level are delivered by line ministries, agencies and provincial administrations.

The central administration level consists of about 50 government units. These comprise ministries, departments, agencies, offices, independent directorates, and other budgetary units. These central government ministries and institutions are considered primary budgetary units, and the respective budgets of these entities are determined by the annual budget law. The Finance Ministry has recently prepared a provincial budget policy that would significantly enhance the role of provincial line departments and administrations in both planning and budget execution. The proposal awaits cabinet approval.

Two other central institutions help the finance ministry manage government relations. The Independent Directorate for Local Governance (IDLG) and the Ministry of Reconstruction and Rural Development (MRRD). The IDLG is responsible for the overall system of inter-governmental relations, including provincial, district, village and municipal affairs. Among line ministries, the MRRD plays an important role in rural development in the provinces. This includes managing the National Solidarity Program, which promotes local development and governance through the establishment and funding of community development councils.

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

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

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

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

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

Public Financial Management

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

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

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

Afghanistan's scores on PEFA (Public Expenditure and Accountability) are relatively strong. Performance indicators are superior to fragile state and other low-income countries' results on all dimensions, except budget credibility, and they equal middle-income country results for control, reporting, and external scrutiny. Similarly, Afghanistan's rating by the independent [Open Budget Survey](#) improved in 2012 to 59 (compared to 58 in Pakistan) from a rating of 21 in 2010.

Energy

Afghanistan has one of the lowest rates of electricity usage in the world. It is in the bottom 10 percent globally (around 100 kilowatt hours per year per capita consumption) and only about 25 percent of its population is connected to the grid. In 2011, the last year for which reliable data is available, Afghanistan's estimated 32 million population consumed only about 3 million MWh of grid-supplied electricity. Almost three-quarters was supplied by imported power. Domestic hydro supplied about 26 percent, with the balance (1 percent) coming from diesel thermal plants in Kabul, and generators. The reliability of the grid, particularly in Kabul, has improved significantly over the past few years. But load shedding and outages are still a sufficiently common occurrence that few have given up their private generators.

Low connectivity to the grid conceals a vast difference between rural and urban access. While over 75 percent of the population in large urban areas like Kabul, Kandahar, Herat, and Mazar-e-Sharif have electricity, less than 10 percent of the rural population has access to grid-connected power. The reliability of power in urban areas, particularly Kabul, has also improved. Access to electricity has improved in the major hubs of the country; parts of Kabul, Mazar-e-Sharif and Pul-e-Khumri have a 24-hour power supply. These cities are part of the North East Power System (NEPS), which imports 300 MW from Uzbekistan throughout the year, supplemented by 300 MW from Tajikistan during the summer.

Energy demand, usage and capacity are increasing from a very low base. Growth in demand for electricity was 17 percent in the last four years and there has been a four-fold increase in the customer base. Installed energy capacity has more than doubled, from 430 MW in 2001 to 1,029 MW in 2009. Supply has also increased through greater use of imported energy. These imports consist of power purchase agreements with Uzbekistan (55 percent of total imports), Turkmenistan (16 percent) and Iran (22 percent), mostly from thermal generation, and Tajikistan (seven percent) from hydropower. The government plans to further increase import capacity (by around 900 MW) through projects set out in the National Energy Supply Program, one of the governments National Priority Programs.

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

Losses, and the performance of the national utility, remain a challenge. Distribution losses are high (in 2010, aggregate losses were 30-40 percent), making sector planning difficult. Donors are helping Da Afghanistan Breshna Sherkat (DABS), the state-owned vertically integrated utility, to improve its performance and provide capacity building. There have been some noted improvements in loss reductions and cash collections, and hence the commercial efficiency ratio, but commercial and technical losses remain significant.

Northern Afghanistan contains large oil and dry gas prospects. One of the most important gas field projects is Sheberghan, which is supported by the U.S. Agency for International Development (USAID). The potential for cheap gas, due to a lack of alternative uses and the resulting low opportunity cost, means that a gas-fired generation plant could potentially be competitive with imported power from Uzbekistan, currently priced at 7.6 cents/kWh. However, gas refining is difficult, and financing agencies have been reluctant to proceed without further seismic work to confirm the predictability of supply, as well as a clear contractual framework. Also, the gas is extremely sour (high in sulfur), requiring investment in a sweetening plant to make it suitable for power generation.

Domestic coal resources exist in the North-West Bamyán province. Coal, including development of a plant to supply the Aynak copper mining project, could provide a significant source of power. However, there has been a significant delay in project implementation, and there are serious doubts about whether the project will ever provide the promised 200 MW of surplus power to the grid. Similarly, hopes are fading for investment linked to the Hajigak iron ore deposit, which had foreseen the development of a power plant of up to 800 MW.

More needs to be done to strengthen capacity and accountability, to ensure clearer explanation of responsibilities and better collaboration across government agencies. The sector's legal framework is weak; in particular there is a lack of sector-specific laws and regulations, leading to poor governance. This needs to be tackled if the sector is to eventually establish market-based pricing that allows for cost recovery. These short-comings must also be addressed if the Afghan energy sector is to have any hope of attracting much-needed foreign investment.

Finance and capacity is limited in the national power utility. Afghanistan's energy infrastructure requires significant capital investment. Following the separation of DABS (then DABM) from the Ministry of Energy and Water, and commercialization of DABS in the 2009, these projects should be implemented by DABS. However, it cannot raise enough revenue internally, nor can it expect to fill the shortfall externally, especially in the current political environment. As a result, there will continue to be significant under-investment in Afghan energy infrastructure.

Current investment plans are limited in the sector. Additional supply from Aynak and Hajigak is unlikely to emerge, and supply from Sheberghan is unlikely to be injected into NEPS due to grid code issues. The only investments at the moment are: (i) the Turkmen 500kV line and the cross-Salang 500kV line (but no b/b HVDC converter with it); (ii) the NEPS-SEPS interconnector; and (iii) the Ghazni 220kV line, all financed by the Asian Development Bank. The World Bank has two projects in preparation: (i) Rehabilitation of Naghlu Dam, which will restore generation capacity to 100MW and may increase the amount of energy generated from the plant; and (ii) a technical assistance project with DABS to increase capacity building. DABS, with USAID financing, plans to install a third turbine at the Kajaki power plant in Helmand Province, augmenting supply to the South East Power System (SEPS). Additional investment in generation capacity, particularly to address peak winter demand, is a high priority.

Regional energy projects can also provide opportunity. The Central Asia-South Asia Electricity Transmission and Trade Project (CASA-1000, a regional IDA-backed project), uses surplus hydro generation in Central Asia to supply both Afghanistan and Pakistan, without the need for new investments in power generation. Afghanistan would also gain a new source of revenue from transit fees. CASA 1000 would enable a transfer of up to 1,300 MW of electricity (via a DC transmission line) between the two regions. Afghanistan would gain access to 300 MW of the capacity with the construction of a DC converter station; the first electricity is due to flow in 2018.

Agriculture Development

Agriculture still remains the main source growth, employment and subsistence for the Afghan population. Only 12 percent of Afghanistan's 65 million hectares of land area is arable, and the actual cultivated area is substantially less, due to a lack of irrigation. Between 2003/04 and 2011/12, real agricultural growth ranged from -22 percent to 45 percent, reflecting the continuing importance of rain-fed agriculture. The sector is also dominated by smallholder production. Average farm size ranges from 0.4 to 1.0 hectare for small-scale producers, and 1 to 2 hectares for large-scale producers. Similarly, the average size for livestock farming is 1.3 cows and 10 sheep and goats.

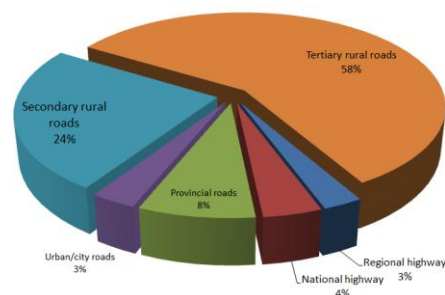
Three decades of conflict have destroyed much of country's agricultural infrastructure, and eroded institutional capacity to provide technical services, such as regulation or the teaching of new farming techniques. Before the conflicts, Afghanistan was a top international supplier of horticultural products, commanding about 10 percent of the dried fruit and raisin market in the 1970's. That share has fallen to 2 percent. It was also self-sufficient in meat and milk and was a significant exporter of wool, carpets, and leather goods. Afghanistan was also self-sufficient in cereals and, at times, was a small exporter. But rapid population growth, coupled with the destruction of much of the country's irrigation systems, storage facilities and rural roads network during the years of conflict, has turned Afghanistan into a net importer of wheat.

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

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

Transport

Afghanistan heavily relies on road transport to move people and freight. The country has a road network of about 123,000 km, of which seven percent are regional and national highways (see figure below). The country has a scant 75 km of railway line and just two international airports, Kabul and Mazar-e-Sharif.



Rehabilitation and extension of road networks is a high priority. About 13,000 km of Afghan roads have been rehabilitated or improved over the past 10 years. But much remains to be done to improve regional integration, national connectivity and access to local markets. Around 85 percent of roads are in poor shape and the majority cannot be used by motor vehicles. Action to improve operation and maintenance is urgently needed. Afghanistan is establishing an independent road authority to manage and maintain the network, supported by a road fund mechanism to help with finance.

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

The railway system is underdeveloped. Afghanistan has no internal railway link, hampering the development of mining and agriculture. The government has established a railway authority, but the country still needs a railway strategy and significant improvements in operations and maintenance capacity.

Airports have been rehabilitated and expanded in the past 10 years, but civil air service lags international standards and practices. A regulatory framework that encourages free entry of civil aviation transporters, and maintains international standards for safety, is urgently needed.

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

Urban Development

Some 40 percent of Afghanistan's population will live in cities by 2050, higher than Sri Lanka and Nepal in the South Asia Region. Urban population growth has been fueled by an influx of returning refugees, conflict and drought-induced migration, and an urban population growth rate of 3.7 percent, versus a national population growth rate of 2.4 percent. Between 2002 and 2013, over two million refugees returned to urban areas - 36 percent of whom went to Kabul (UNHCR). Inclusive urban development will remain high on the national agenda.

Emerging economies of agglomeration, or clustering, around six cities that are home to about one fifth of Afghanistan's population, presents a significant opportunity for growth and poverty reduction: These cities are Herat, Jalalabad, Kabul, Kandahar, Kunduz and Mazar-e-Sharif. Afghanistan's economy is dominated by a strongly entrepreneurial informal sector, accounting for 80-90 percent of business activity, providing relatively high labor absorption capacity and enabling easy entry for rural entrepreneurs and rural-urban migrants. There is little planning in the informal economy, and city-specific initiatives could encourage small and medium enterprises and job creation, while promoting security.

However, centralization makes it harder to realize the economies of agglomeration, overwhelming service delivery amid rapid urban growth and severe resource constraints. Municipalities are responsible for administering city affairs, but the constitution defines the country as an indivisible unitary state, preserving the principles of centralism. Municipalities are fiscally autonomous. But authority, functions and resources are not decentralized, slowing municipal response time to local market signals. They cannot manage or develop land to maximize local development and job creation, or develop infrastructure and services to affordable standards that are in line with their budgets.

Unplanned development is commonplace, and an estimated 2.3 million people live in unplanned settlements in the five major cities. This weakens the urban tax base and increases the vulnerability of residents. On the other hand, unplanned, densely populated developments present an opportunity to provide basic public goods in a swift and affordable manner. But this will need a proactive shift in the focus of planning from "places" to "people". To help municipalities function better, they will require: (i) powers over local planning, enforcement and regulation, including over the use of physical space and local economic development; (ii) authority to manage local government finances and procurement; (iii) make their own local staffing and employment decisions; and (iv) to run local government services flexibly. Until then, cities will be unable to plan affordable services for incoming migrants, limiting their ability to boost growth and reduce poverty. ***The Ministry of Urban Development Affairs (MUDA) has the primary policy and planning role for all urban areas in Afghanistan, except Kabul¹.*** Implementation of infrastructure, land development and other functions at the municipal level is supposed to happen within a centrally-prepared framework. This leaves little room for municipalities to develop locally relevant capital improvements that fit within their budgets, or reflect the priorities of their own communities. Central planning, on the other hand, is a resource-intensive process that delivers results that can be unaffordable and unsuited to local needs.

Education

The public education system in Afghanistan suffered decades of upheaval in the 1980s (Soviet occupation) and 1990s (civil war and the emergence of the Taliban). Since 2002, however, education has been one of Afghanistan's success stories. In 2001, no girls attended formal schools, and boys' enrollment was 1 million. By 2013, around 3.6 million girls were enrolled out of a total of 9.1 million active pupils. In the same period, the number of teachers had grown from 20,000 to more than 185,000.

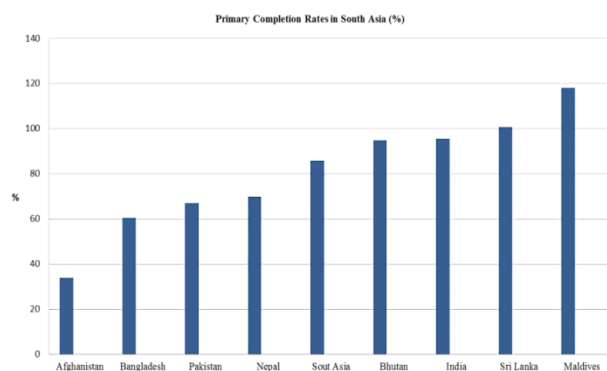
Afghanistan is ranked 175th in the human development index and education attainment overall is low. Given insecurity and unrest in the country, sustained efforts are needed to meet the Millennium Development Goal (MDG) on universal primary education by 2020; Afghanistan's timeline for MDGs since it signed up in 2004. The education sector, while growing steadily, faces a number of supply and demand challenges. Of the total registered schools, only about half of them have proper buildings while the rest operate in tents, houses and under trees. Of all the teachers, only 52 percent meet the minimum requirements of becoming a

¹ Official Gazette

teacher; the rest receive in-service training to upgrade skills. National student learning assessments are yet to be mainstreamed and the quality of education and administration remains relatively weak.

INDICATOR	2002/03	2013/14
School Enrollment	1 million	8.7 million (36 % girls)
University Enrollment	<10,000	160,000 (20% girls)
TVET Enrollment	<2,000	70,000
Number of Schools	3,500	16,000
Adult Literacy	12 % (5% female)	39% (13% female)

On the demand side, an estimated four million children of primary school age do not attend classes. Furthermore, girls' dropout rates are high in secondary grades. In higher education, the quality and relevance of the teaching still requires significant reforms and more resources. In addition, the adult literacy rate is one of the lowest in the world. The higher education gross enrollment ratio is about five percent, which is one of the lowest participation rates in the world. As a new generation of primary and secondary school students comes of age, enrollment and the demand for school places is increasing sharply, putting pressure on the labor market.



Education faces significant challenges, which are compounded by insecurity, diminishing resources, low government implementation capacity, and weak links between the central and sub-national level. Meeting further education goals requires sustained commitment from the government and development partners. The government, for its part, having focused for a decade on expanding access, has turned its attention to strengthening systems and ensuring education quality. A number of reforms and assessments have been initiated in the past 3 years. For instance, the Global Partnership for Education was launched in 2012 to expand education to insecure areas and get children back to schools. A first learning assessment of students in grade 6 is expected to be completed this year to inform policy decisions and show how much learning actually happens in classrooms. Technical vocation and education training (TVET) reforms, and a new higher education strategy for the next five years, are being formulated to address the gap between market needs and tertiary education.

Female education remains a key priority. Strategically investing in girls' schooling through expanded access, an enabling environment and sufficient resources is a key priority for the government.

Health

The Afghan health system has made considerable progress during the past decade thanks to strong government leadership, sound public health policies, innovative service delivery, careful program monitoring and evaluation, and development assistance. Data from household surveys (between 2003 and 2011) show significant declines in maternal and child mortality. The under-five mortality rate and infant mortality rate dropped from 257 and 165 per 1,000 live births to 97 and 77 respectively. The maternal mortality ratio is 327 per 100,000 live births, compared with 1,600 in 2002. The number of functioning health facilities increased from 496 in 2002 to more than 2,000 in 2012, while at the same time the proportion of facilities with female staff increased.

Since the establishment of a new administration in 2002, the government has placed the utmost importance on addressing high maternal and child mortality, especially in rural areas. The Ministry of Public Health undertook a series of critical steps: it defined a Basic Package of Health Services and then an Essential Package of Hospital Services, and it established a system for large-scale contracting with non-governmental organizations (NGOs) for delivery of these services.

The Basic Package has recently been expanded to include mental health, disability, and nutrition services. The ministry also prioritized the monitoring and evaluation of health sector performance. Through the deployment of predominantly local consultants, it addressed human resource capacity constraints in terms of managing NGO contracts, tracking health sector progress through rigorous impact level monitoring, and effectively performing its stewardship.

Despite significant improvements in the coverage and quality of health services, as well as a drop in maternal, infant and under-five mortality, Afghan health indicators remain below average for low income countries, indicating the need to lower barriers for women accessing services further. Afghanistan also has one of the highest levels of child malnutrition in the world.

About 55 percent of children under five suffer from chronic malnutrition and both women and children suffer from high levels of vitamin and mineral deficiencies.

Social Protection

The Social Protection sector in Afghanistan is still fragmented. While the Afghanistan National Development Strategy provides a framework for developing social protection, the transition from primarily humanitarian relief-based interventions to social protection systems is still in its infancy. The Afghan social protection system includes a public sector pension scheme, a non-contributory pension program for Martyrs and Disabled, and a number of small social assistance schemes that transfer cash and in-kind benefits to various groups, while providing social care services. The govern-

ment also administers a number of labor market interventions, including public employment service and skills development programs, with support from development partners. In addition, there are several social assistance and safety net interventions which are implemented and led by development partners and NGOs public sector pension scheme, a non-contributory pension program for Martyrs and Disabled, and a number of small social assistance schemes that transfer cash and in-kind benefits to various groups, while providing social care services. The government also administers a number of labor market interventions, including public employment service and skills development programs, with support from development partners. In addition, there are several social assistance and safety net interventions which are implemented and led by development partners and NGOs

The sector faces a number of challenges related to program coordination, effectiveness - including coverage and targeting - and financing. Staff quality constraints and organizational complexity hampers the Ministry of Labor, Social Affairs, Martyrs and Disabled in performing its coordination function as the lead agency for social protection. The recent (2013) increase in the pension program spending, amounting to about 1.6 percent of GDP, risks their fiscal sustainability. The country's safety net has low coverage and weak targeting. While about 36 percent (nine million) of the Afghan population is poor and another 15 percent are vulnerable to shocks, the safety nets cover less than 25 percent of the poor. Those safety nets that do provide sizeable coverage of the poor consist mainly of cash-for-work or food-for-work programs, mainly targeting rural areas, and are financed and implemented by donors and NGOs.

Afghanistan Agriculture Inputs Project

Key Dates:

Approved: June 30, 2013

Effective: June 30, 2013

Closing: June 30, 2016

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	74.75	5.34	69.40
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (ARTF)	74.75	5.34	69.40



Project Background:

Limited access to quality inputs at affordable prices is a key constraint to higher agricultural productivity in Afghanistan.

In Afghanistan the agricultural inputs delivery network remains underdeveloped, weakly regulated, and distorted.

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

It will improve the technical and economic efficiency of the certified wheat seed value-chain, develop the necessary accredited facilities for plant quarantine and quality control of agro-chemicals.

Project Development Objective and Brief Component Description:

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

Component A (Improved Wheat Seed Production) will support (a) varietal selection and production of breeder seed; (b) production of foundation and registered seed; and (c) coordination of the seed sector.

Component B (Plant Quarantine Networks and Quality Control of Agro-chemicals) will support enhancement of MAIL capacity to implement the quality control of agro-chemicals, including: (i) establishment of an office for pesticides registration; (ii) construction of various laboratories; (iii) provision of pesticide bio-efficacy trial equipment; and (iv) strengthening the fertilizer quality control inspection system.

Component C (Input Delivery Systems) will support the analysis of the recipient's current agricultural input delivery systems and assist in the development of an action plan for investment activities in inputs delivery systems.

Component D (Project Management and Monitoring) will support management and monitoring of the project.

Results Achieved:

The project has delivered in-kind assistance to Agriculture Research Institute of Afghanistan (ARIA), Improved Seeds Enterprise (ISE), and MAIL's Plant Protection and Quarantine Department to support their seed production-related activities.

The implementation of seed production activities in ARIA and ISE has already started in Kabul and four other regions.

Meanwhile, English language training of the first batch of approximately 38 MSc and 2 PhD candidates of the aforementioned agricultural departments is about to be completed.

Key Partners:

Ministry of Agriculture Irrigation and Livestock with support from Agriculture Research Institute of Afghanistan (ARIA), Improved Seeds Enterprise (ISE) and National Seed Board.

Afghanistan Access to Finance Project

Key Dates:

Approved: Nov 26, 2013
Effective: Yet to be effective
Closing: Dec 31, 2018

Financing in million US Dollars (as of February 28, 2014)

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



Project Background:

The proposed project supports and complements the government of Afghanistan's efforts to develop and implement a financial sector development strategy that focuses on increasing access to finance. Such a strategy would also aim to ensure greater coherence between the various ongoing efforts to increase access to finance in Afghanistan.

Project Development Objective and Brief Component Description:

The proposed Project Development Objective is to build institutional capacity to improve access to credit of micro, small and medium enterprises.

Component 1 (Improving access to financial services for micro and small enterprises) will support: (i) the strengthening of the microfinance sector through Microfinance Investment Facility of Afghanistan (MISFA); (ii) the scale-up of the Targeting the Ultra Poor Program; and (iii) further strengthening of MISFA to support the implementation of its new business plan and project implementation.

Component 2 (Improving access to financial services for small and medium enterprises) will increase commercial bank and microfinance investment (MFI) lending to small and medium enterprises (SMEs) in Afghanistan and support the expansion of the Afghanistan Credit Guarantee Facility.

Expected Results:

MISFA's partner microfinance institutions to reach over 100,000 borrowers.

The Credit Guarantee Facility to provide guarantee coverage to over 1,500 loans to small and medium enterprises.

Over 3,500 households to move up out of extreme poverty.

Key Partners:

Microfinance Investment Facility of Afghanistan (MISFA) and Deutsche Investitions - und Entwicklungsgesellschaft mbH (DEG)

Afghanistan Skills Development Project

Key Dates:

Approved: January 31, 2008

Effective: March 20, 2008

Closing: June 30, 2014

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	38	27.71	8.29
Borrower			
Co-financing			
Total Bank Financing			
IDA	20	17.10	2.90
IBRD			
Trust Fund (ARTF)	18	12.61	5.39



Project Background:

Despite impressive strides, Afghanistan remains at a critical stage in its transition, facing numerous challenges in the social sector including persistent poverty, a poorly skilled labor force, and non-responsiveness of the skill and capacity-building infrastructure to market demands.

As a key step in responding to these challenges, the government of Afghanistan had requested the World Bank's assistance in the area of Technical Vocational Education and Training (TVET).

A Bank policy note in 2006 entitled "Skills Development in Afghanistan" responded to the government's request, around which Afghanistan's Skills Development Project was designed.

Project Development Objective and Brief Component Description:

The goal is to increase the number of immediately employable graduates produced by building, in stages, a high quality TVET system that is equitable, market responsive, and cost-effective.

Component 1 (Develop regulatory and quality assurance framework for TVET) aims at establishing a Committee on Education Skills and Policy under the chairmanship of the First Vice President, and developing a national qualifications framework for TVET and the related legalities, which the Committee was to guide through the legislature.

Component 2 (Improve relevance, quality and efficiency of TVET) is to establish a National Institute of Management and Administration, provide support for reforms at the Afghan Institute of Technology, and introduce reforms in the Deputy Ministry of Technical and Vocational Education and Training.

Component 3 (Skills development program and market links with a rural focus) will provide skills training for chronically poor women, marginalized farmers, unskilled and semi-skilled youth, disabled persons, and injecting drug users.

Component 4 (Research, Monitoring and Evaluation)

Results Achieved:

Developed the basic roadmap of activities for (a) a Draft National Qualifications Framework (TVET), and (b) a Draft Legislation for the Afghan National Qualification Authority.

140 National Occupational Skills Standards developed under the National Skills Development Program and Deputy Ministry of Technical Vocational Education and Training is in the process of aligning its curricula with them.

In the National Skills Development Program part of the project, training continues of chronically poor women, youth, and injecting drug users, and reaches 10,000 trainees.

The international implementation partner for the National Institute of Management and Administration (NIMA) is in place and done a preliminary evaluation of curricula and faculty.

Key Partners:

Deputy Ministry of Technical Vocational Education and Training, Ministry of Education, National Skills Development Program under Ministry of Labor, Social Affairs, Martyrs and Disabled, Government of Norway and USAID.

Afghanistan Second Skills Development Project

Key Dates:

Approved: March 19, 2013

Effective: June 12, 2013

Closing: June 30, 2018

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	60	Adv. of 3.5 processed	60
Borrower			
Co-financing (Afghan Govt.)	5	0	5
Total Bank Financing			
IDA	55	Adv. of 3.5 processed	55
IBRD			
Trust Fund			



Project Background:

The level of skills in Afghanistan is low and formal training for mid-level skill competence, though available, is not standardized and/or benchmarked to acceptable sub-regional or regional standards. The project helps finance the costs associated with reforms in, and improvement of, the Technical and Vocational Education and Training (TVET) sector in Afghanistan.

Project Development Objective and Brief Component Description:

Aims to increase the potential for employment and higher earnings of graduates from (TVET) institutions through improvements in the skills delivery system

Component 1 (Strengthening of the TVET system) provides technical assistance to the development of TVET strategy, and the development of quality assurance standards for institutional accreditation and training delivery.

Component 2 (Improving performance of TVET schools and institutes) focuses on reforms in TVET schools and institutes through the mechanism of a challenge fund, a voucher program for students, training for school principals and administrators and improvement of systems in schools and institutes, and continuing support to institutions aided under the project.

Component 3 (Improvement of teacher competencies): establishes a Technical Teachers' Training Institute (TTTI) for in-service training.

Component 4 (Project management, monitoring and evaluation, and public awareness) focuses on project management, impact evaluation, and a public awareness campaign for TVET.

Results Achieved:

Nationwide, 15 TVET schools and institutes have been selected to receive the recognition grant of \$30,000 and to scale-up or replicate good practices in delivering skills.

Business plans of National Institute of Management and Administration, Afghan National Institute of Music, Blind School and TTTI have been received and approved.

The majority of second batch voucher beneficiaries have started classes at American university in Kabul.

Key Partners:

Deputy Ministry of Technical and Vocational Education and Training, Ministry of Education, ILO, Ball State University, Germany's GIZ, and the Dutch government.

Afghanistan: Strengthening the National Statistical System

Key Dates:

Approved: October 07, 2010

Effective: March 24, 2011

Closing: February 29, 2016

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	14	3.929	10.071
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (SRF Catalytic Fund)	14	3.929	10.071



Project Background:

The overall objective of the project is to promote a national, system-wide approach to statistics; increase resources for the implementation of a National Statistical Plan; explicitly link improvements in statistical systems to the needs of national and sector policy and monitoring frameworks; promote improved national dialogue and partnership between data users and producers; and aim to deliver more efficient and effective aid and technical assistance for strengthening statistical systems and results measurement.

Project Development Objective and Brief Component Description:

The main objective of this project is to: (i) enable Afghanistan to address the data needs of the country for planning, decision-making and monitoring purposes through various surveys and by developing administrative statistical systems to support the Afghanistan National Development Strategy; (ii) build sustainable statistical capacity in the country, and particularly at the Central Statistics Organization; (iii) enable Afghanistan to use international standards for concepts, classifications, and definitions; and (iv) enable Afghanistan to meet its data obligations.

Results Achieved:

The World Bank Statistical Capacity Building Score for Afghanistan improved to 45 points, up from the baseline level of 33 points; Number of the Afghanistan National Development Strategy and MDG indicators supported by the Central Statistics Organization increased from 17 indicators to 26 indicators; Increased percentage of users who say they are “satisfied” or “very satisfied” with statistical products and services.

Key Partners:

Central Statistics Organization (CSO), Germany's GTZ and UK's Department for International Development (DFID)

Afghanistan Rural Access Project

Key Dates:

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

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	132	34.8	197.2
Borrower			
Co-financing			
Total Bank Financing			
IDA	125	30.2	94.8
IBRD			
Trust Fund (ARTF)	107	4.6	102.4



Project Background:

Two decades of civil war has severely damaged Afghan road network at all levels: regional and national highways, provincial roads and local access roads.

Prolonged conflict had denied most of the rural population access to essential social services including markets, health centers, schools and government offices.

Formulated in 2002, the National Emergency Employment Program funded short-term employment through restoration of the dilapidated rural infrastructure.

This initiative evolved into the National Rural Access Program from 2005, with a strong focus on the provision of year-round rural access to basic social services.

More than 10,000 km of rural roads and related drainage structures have been upgraded or rehabilitated under these programs through four projects financed through IDA, ARTF, and other funds.

Project Development Objective and Brief Component Description:

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

Component 1 (Improvement and maintenance of secondary roads) is to support rehabilitation of about 1,000 km roads; 250 km of upgrading existing pavement to bituminous standard; about 1,000 km of routine and periodic maintenance of paved and unpaved secondary roads; and construction of about 1,000 linear meters of bridges.

Component 2 (Improvement and maintenance of tertiary roads) will support about 1,300 km of rehabilitation and 2,000 km of routine and periodic maintenance of tertiary roads; and construction of about 1,600 linear m of bridges.

Component 3 (Program Planning and Development, Institutional Strengthening, and Program Coordination Support) will support human resource and institutional capacity building, program monitoring and evaluation, and program development activities.

Results Achieved:

Reduction in travel time to essential services.

Increased frequency of such trips.

Increased percentage of rural population living within 2 km of all season roads

Key Partners:

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

Afghanistan Rural Enterprise Development Project

Key Dates:

Approved: March 09, 2010

Effective: June 14, 2010

Closing: January 01, 2015

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	45.30 (9.77 cancelled)	20.90	14.63
Borrower			
Co-financing			
Total Bank Financing			
IDA	29.30	14.70	14.6
IBRD			
Trust Fund	16 (9.77 cancelled)	6.20	0.03



Project Background:

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

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

Project Development Objective and Brief Component Description:

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

Component A (Community-led enterprise development) creates savings groups, enterprise groups and village savings and loans associations. These institutions are assisted in building their own capacities, increasing the value of trade; ensuring production is oriented towards identified market opportunities, and creating access to credit through internal lending.

Component B (Small and medium-sized enterprise (SME) development) supports the emergence of a stronger SME sector with improved trading linkages with the rural economy and adequate access to financial services. The project finances a sequenced approach for SME support, i.e. identifying key value chains in each province, working with the stakeholders to identify choke points constricting growth, identifying opportunities for value chain linkages and defining skill gaps.

Component C (Project implementation support: Project management and monitoring and evaluation)

Results Achieved:

The project has so far established 4,551 saving groups, 143 Village Saving and Loan Associations (VSLAs), 990 Enterprise Groups, and has supported 242 Small Medium Enterprises.

A total of 6 Provincial Situations Analysis (PSA) are completed and ten PSAs are underway.

Key Partners:

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

Afghanistan Recurrent and Capital Cost Window

Key Dates:

Approved: May 13, 2002

Effective: May 13, 2002

Closing: June 30, 2018

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	3,044.32	2,928.42	115.9
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (ARTF)	3,044.32	2,928.42	115.9



Project Background:

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

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

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

Project Development Objective and Brief Component Description:

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

Component 1 (The reimbursements of civil servant salaries) and Component 2 (Reimbursement of operating and maintenance costs) establish an amount via grant renewals for reimbursement of civilian expenditures. With the assistance of a third party monitoring agent, the government submissions are then reviewed to determine that these have met the eligibility criteria.

Component 3 (The incentive program), introduced in 2009, refers to a series of policy actions and revenue benchmarks agreed to between the World Bank and the government that align with development priorities and which, if attained, entitle the government to an agreed amount of additional funding for the first two components.

Results Achieved:

Over 11 years, the project disbursed nearly US\$3 billion against legitimate recurrent costs in a timely fashion.

This represents 20 percent of civilian costs in the period, and the process provided an opportunity for donors to conduct monitoring of all civilian costs for adherence to financial and eligibility standards.

The incentive component led to significant reforms in revenue generation, public sector governance, and private sector development.

Key Partners:

Government of Afghanistan, all the ARTF donors (33 countries) are considered partners.

Afghanistan: Capacity Building for Results Facility

Key Dates:

Approved: March 09, 2010

Effective: June 14, 2010

Closing: January 01, 2015

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	350	31.40	68.60
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (ARTF)	100	31.40	68.60



Project Background:

The Capacity Building for Results Facility (CBR) is a key ARTF investment that supports government in developing its internal human capacity over the medium term to improve service delivery to the population. It is demand driven with ministries required to meet criteria to participate.

A CBR ministry must develop a comprehensive reform plan (to be implemented with existing donor and government resources) with a results framework to which it is held accountable.

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

Project Development Objective and Brief Component Description:

The project's development objective is to assist the government in improving the capacity and performance of select line ministries in carrying out their mandates and delivering services to the Afghan people.

Component 1 (Technical Assistance Facility for Preparation and Implementation of Capacity Building Programs) provides technical assistance to the participating ministries both for preparation and implementation of Capacity Building for Results Programs.

Component 2 (Developing human resources) supports the continued implementation of broad civil service reform efforts and placement of critical managerial and professional staff resources in participating line ministries.

Component 3 (Civil service training) intends to create partnerships between the Afghanistan Civil Service Institute and reputable international institutions to: (i) develop custom-made public administration management training programs for civil servants in managerial positions and management interns; (ii) deliver the training programs; and (iii) develop faculty capacity at the Afghanistan Civil Service Institute.

Component 4 (Project management, monitoring and evaluation) focuses on overall project management, monitoring and reporting; and consultancy services for appraisal and review of implementation progress and results of Capacity Building for Results programs.

Results Achieved:

The Ministry of Agriculture has been approved as the first top tier ministry, enabling it to recruit a substantial number of skilled civil servants to implement its CBR reform program.

The Ministry of Communication's proposal is expected to soon be approved, and several others are at various stages of proposal development. Recruitment of senior level civil servants funded through CBR is progressing; a total of 92 active senior management group positions are currently funded with six additional appointments awaiting presidential approval.

CBR is also encouraging salary harmonization for donor funded consultants led by the Bank.

Key Partners:

Afghan Ministry of Finance, Independent Administrative Reform and Civil Service Commission (IARCSC), Key Afghan line ministries, UK's Department for International Development, USAID and European Union.

Afghanistan: Second Education Quality Improvement Project

Key Dates:

Approved: January 31, 2008

Effective: March 20, 2008

Closing: August 15, 2015

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	460	271.40	188.60
Borrower			
Co-financing (USAID)	22	22	0
Total Bank Financing			
IDA	30	30	0
IBRD			
Trust Fund (ARTF)	283	219.40	63.60



Project Background:

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

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

Project Development Objective and Brief Component Description:

Increase equitable access to quality basic education – especially for girls – through school grants, teacher training, and strengthened institutional capacity with support from communities and private providers.

Project Components:

Component 1 (School Grants) awards school grants for Quality Enhancement and infrastructure and executes social awareness and mobilization

Component 2 (Teacher and Principal Training and Education) undertakes teacher/principal training, and increases female teachers.

Component 3 (Project Management, Monitoring and Evaluation)

Results Achieved:

Supported the construction of 446 schools and 384 more schools are currently under construction.

It is estimated that 1,838,834 students are currently studying in EQUIP constructed schools, of which 812,341 (44%) are girls.

Overall, there are 9.2 million children enrolled in schools in Afghanistan of which 3.61 million (39%) are girls.

Under both phases of the Education Quality Improvement Program, social mobilization activities have been conducted in 11,087 communities, resulting in the establishment of 8230 school shuras (community-based consultative bodies)

So far, 11032 schools have received Quality Enhancement Grants for purchase of school supplies, laboratory equipment, and other purposes.

Key Partners:

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

Afghanistan: Financial Sector Rapid Response Project

Key Dates:

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

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	19	5.64	13.36
Borrower			
Co-financing			
Total Bank Financing	19	5.64	13.36
IDA	19	5.64	13.36
IBRD			
Trust Fund			



Project Background:

The Financial Sector Rapid Response Project aims to finance costs associated with the following activities: (i) audits (financial, portfolio and institutional) of 10 commercial banks operating in Afghanistan; (ii) modernization of the national payment system to facilitate payments within the country; (iii) support to the development of the Afghanistan Institute of Banking and Finance; and (iv) technical assistance and training for project implementation.

Project Development Objective and Brief Component Description:

The project's aim is to assist Da Afghanistan Bank (the central bank), which is implementing the project, to develop actions plans for improved banking supervision and to implement a modern national payment system for efficient and transparent payment transactions.

Component 1: Audits: financial, portfolio and institutional audit of 10 commercial banks operating in Afghanistan

Component 2: Modernization of the national payment system: to facilitate payments within the country which involves the establishment of a Real Time Gross Settlement, Automated Clearing House, and Central Security Depository, all as one system at Da Afghanistan Bank; and a national card payment switch.

Component 3: Supports development of the Afghanistan Institute of Banking and Finance.

Component 4: Technical assistance and training for project implementation.

Results Achieved:

Audit of the 10 commercial banks completed in June 2012 and its finding were presented in June and July 2012 to development partners.

The procurement processes for modernization of the payment system (national card and mobile payment switch) has been completed and the contract was awarded on August 18, 2013.

The procurement process for the Automated Transfer System is in progress.

Key Partners:

Da Afghanistan Bank (Afghan central bank)

Afghanistan: Financial Sector Strengthening Project

Key Dates:

Approved: April 30, 2009

Effective: June 18, 2009

Closing: June 30, 2014

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	8	2.3	5.7
Borrower			
Co-financing			
Total Bank Financing	8	2.3	5.7
IDA	8	2.3	5.7
IBRD			
Trust Fund			



Project Background:

The Financial Sector Rapid Response Project aims to finance costs associated with the following activities: (i) audits (financial, portfolio and institutional) of 10 commercial banks operating in Afghanistan; (ii) modernization of the national payment system to facilitate payments within the country; (iii) support to the development of the Afghanistan Institute of Banking and Finance; and (iv) technical assistance and training for project implementation.

Project Development Objective and Brief Component Description:

The objective of the project is to assist the central bank in improving its core function of banking supervision and regulation, and to help improve access to formal banking services by establishing key initial building blocks for further financial sector reform.

Component 1: Strengthening the capacity of Da Afghanistan Bank through provision of consultancy services and financing for information technology (IT) systems development in three critical areas: (i) developing off-site supervision systems and supervision competencies in DAB; (ii) creating an effective accounting and internal auditing system functioning to generally acceptable international standards; and (iii) establishing an effective human resource management system

Component 2: Development of basic infrastructure in the financial sector: in close collaboration with IFC, assists in establishing the following basic financial sector infrastructure in Afghanistan: (i) a public credit registry that will provide lenders information for efficient risk assessment on borrowers; (ii) a collateral registry for movable property that will provide lenders the ability to effectively use borrowers' property as collateral; and (iii) an Afghanistan Institute of Banking and Finance to support development of professional resources.

Results Achieved:

The Afghanistan Institute of Banking and Finance was established in November 2010.

The collateral registry was established and officially launched in February 2013.

Contract for establishment of the public credit registry was signed in February 2013 enabling the registry to begin operations by late April 2014.

Key Partners:

Da Afghanistan Bank, International Finance Corporation (IFC)

Afghanistan: ICT Sector Development Project

Key Dates:

Approved: April 26, 2011

Effective: June 14, 2011

Closing: June 30, 2016

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	50	20	30
Borrower			
Co-financing			
Total Bank Financing	50	20	30
IDA	50	20	30
IBRD			
Trust Fund			



Project Background:

Since 2002, Afghanistan has made considerable progress in telecommunications connectivity, and mobile telephony has become widespread. A high-capacity fiber optic backbone network connects many provinces and provides international connectivity to neighboring countries.

The information and communications technology (ICT) sector offers opportunities to expand the reach and delivery of government services and stimulate private sector-led economic growth and employment generation.

This Project builds on the strong growth seen thus far in mobile services to expand service delivery while accelerating expansion and improvements in backbone network connectivity.

Project Development Objective and Brief Component Description:

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

Component 1: Expanding connectivity: the project finances the expansion of the national backbone network by 1,000 km, and supports the creation of an enabling policy and regulatory environment to increase the reach of high quality mobile telephone and internet services to more users.

Component 2: Mainstreaming mobile applications: supports activities that build on the high penetration of mobile telephones in Afghanistan to expand the reach and improve the quality of public services and applications that support program management.

Component 3: IT industry development: supports the definition of an IT sector development policy; an IT skills development program to expand the pool of skilled IT professionals as a key building block for sector development in Afghanistan; and establishing an incubator for ICT firms in the ICT Village.

Results Achieved:

Optical fiber cable construction is in progress; about 186 km of ducting has been completed.

The Ministry of Communications and Information Technology has adopted an open access policy for the national backbone network, ensuring non-discriminatory access to wholesale Internet bandwidth for all firms.

450 Afghans have been trained under the IT skills development program, and a second round will train another 1,050 Afghans in the next 18 months.

Key Partners:

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

Afghanistan: Irrigation Restoration and Development Project

Key Dates:

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

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	148.70	47.30	101.40
Borrower			
Co-financing (Afghan Govt.)	2.5	0	2.5
Total Bank Financing			
IDA	97.80	38.60	59.20
IBRD			
Trust Fund	48.40	8.70	39.7



Project Background:

The Irrigation and Restoration and Development Project (IRDP) is designed as a follow-up initiative to the IDA-funded Emergency Irrigation Rehabilitation Project (EIRP).

While various bilateral and multilateral donors supported the reconstruction or development of specific dams or river basins, the EIRP was instrumental to the government's launch of a national irrigation rehabilitation program in 2004. The EIRP had a national coverage and was designed to respond to requests and demands of local communities.

Project Development Objective and Brief Component Description:

The objective of the IRDP is to increase agriculture productivity and output in the project areas.

Component 1: Rehabilitation of irrigation systems: supports the rehabilitation of irrigation schemes covering total irrigated area of about 300,000 hectares.

Component 2: Small dam development: supports the design and construction of about three multi-purpose small dams and appurtenances, and associated irrigation conveyance and distribution systems.

Component 3: Establishment of hydro-meteorological facilities and services: sets out to build upon the work done under EIRP and establish an efficient and effective hydro-meteorological service.

Component 4: Project management and capacity building: includes the following sub-components: (i) project management and construction supervision; (ii) support for capacity building; (iii) incremental contract staff.

Results Achieved:

Approximately 14,200 ha (31 percent of the targeted 45,000 ha) of incremental irrigated area has been achieved.

Pre-feasibility study has selected seven dam sites in northern provinces, feasibility study for four dam sites is completed and being reviewed, and a feasibility study for three remaining dam sites will soon be commenced.

Installation of hydro-meteorological equipment has been completed and data collection performance of the installed stations improved considerably in all five river basins.

Key Partners:

Afghan Ministry of Energy and Water, United Nations Food and Agriculture Organization

Afghanistan: New Market Development Project

Key Dates:

Approved: May 30, 2011

Effective: July 12, 2011

Closing: February 29, 2016

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	22	5.05	16.95
Borrower			
Co-financing			
Total Bank Financing	22	5.05	16.95
IDA	22	5.05	16.95
IBRD			
Trust Fund			



Project Background:

The New Market Development Project is the first World Bank funded project to be implemented by Ministry of Commerce and Industries since the World Bank's re-engagement in Afghanistan.

Project Development Objective and Brief Component Description:

The objective of the project is to help revitalize private sector activities in the four major urban cities of Kabul, Mazar-e-Sharif, Jalalabad, and Herat through provision of business development and technical assistance to support private firms' initiative to gain market knowledge, improve product quality and processing.

Component 1: Facility for New Market Development: through a cost sharing mechanism, supports small- and medium-sized enterprises (SMEs) and business associations to access business development services to enhance productive capacity and encourage innovation through product or market diversification.

Component 2: Project implementation support and technical assistance to Ministry of Commerce and Industry: will support the Ministry with: (a) the establishment and operation of a project management unit for the New Market Development Project; and (b) technical assistance to develop a strategic plan to access support from the recently approved Afghanistan Capacity Building for Results Facility.

Results Achieved:

The Project Management Unit is fully staffed.

GIZ IS (a German firm) was hired through an international competitive bidding process to manage the facility.

Contract between the Ministry of Commerce and Industry and GIZ IS was signed on September 15, 2012, and the Facility for New Market Development was officially launched on March 12, 2013.

The facility has received applications from over 500 SMEs.

The facility has signed cost-sharing grant contracts with over 200 SMEs.

Key Partners:

Afghan Ministry of Commerce and Industries (MOCI)

Afghanistan: National Horticulture and Livestock Project

Key Dates:

Approved: December 18, 2012

Effective: December 22, 2012

Closing: March 13, 2018

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	114.60	13.20	100.80
Borrower			
Co-financing (beneficiary contributions)	14.60	0	14.60
Total Bank Financing			
IDA			
IBRD			
Trust Fund	100	13.20	86.80



Project Background:

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

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

Project Development Objective and Brief Component Description:

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

Component 1: Horticultural production: grants target beneficiaries demand-driven extension and productive investment support by providing farmers with organizational (e.g., orchard management, value addition and marketing) support, plus extension support for the successful adoption of improved technology.

Component 2: Animal production and health: provides beneficiaries with investment support (animal production and animal health) extension support (e.g., adoption of improved technology packages). It also supports public investments for the establishment of an animal health surveillance and control system, and in the development of improved models of intervention through trials and studies to inform policy on possible future private investment.

Component 3: Implementation Management and Technical Assistance Support: covers implementation management at national and regional levels, and technical assistance to inform implementation, policy development and capacity building at the Ministry of Agriculture, Irrigation, and Livestock.

Results Achieved:

Establishment of 2,007 hectares of new orchards (against a target of 500 ha), of which 52 percent are in new provinces.

5,000 ha actual against a target of 500 ha of orchards have been rehabilitated.

16,000 kitchen gardening schemes against a target of 8,000 schemes have been established.

Brucellosis vaccination campaign conducted in 360 districts of 34 provinces during which 430,000 young cattle (representing 20% of the whole population) and 2.2 million young sheep and goats (representing 20% of sheep and goat population) have been vaccinated.

National Horticulture and Livestock Project (NHLP) training of veterinary field units and provincial veterinary officers.

Vaccination supervision and monitoring conducted jointly by MAIL and NHLP.

Key Partners:

Afghan Ministry of Agriculture, Irrigation and livestock (MAIL)

Afghanistan: National Solidarity Program

Key Dates:

Approved: June 29, 2010
Effective: October 06, 2010
Closing: September 30, 2015

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	805	641.30	163.70
Borrower			
Co-financing (JSDF)	15	14.30	0.70
Total Bank Financing			
IDA	40	40	0
IBRD			
Trust Fund (ARTF)	750	587	163



Project Background:

The National Solidarity Program (NSP) is a flagship program of the government of Afghanistan and is currently operating in all 34 provinces. The Afghan government launched NSP to lay the foundation for a sustainable form of inclusive local governance, rural reconstruction, and poverty alleviation.

It is identified in Afghanistan's National Development Strategy as the government's principal community development program. This multi-billion dollar community development and local governance program is managed by the Afghan Ministry of Rural Rehabilitation and Development.

Project Development Objective and Brief Component Description:

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

Component 1: Capacity building of CDCs to establish CDCs and build their capacity to: (a) function as a village level governance body for continued empowerment of village communities; and (b) facilitate communities' participation in the various sector programs operating in rural areas.

Component 2: Community grants for economic and social development, providing block grants to communities to fund priority investment schemes (sub-projects) for rural and social development.

Component 3: Project implementation support to cover expenditures associated with the Ministry of Rural Rehabilitation and Development's overall management and oversight of NSP.

Results Achieved:

Over US\$1.85 billion has been disbursed out of which about US\$1.4 billion has gone to communities through block grants to finance over 77,000 sub-projects, having an average economic rate of return of about 30 percent.

To date, some 32,000 villages have elected CDCs, and about 31,000 communities in 398 districts have received at least their first block grants. Sub-projects financed to date are in the areas of water supply and sanitation (24 percent), rural roads (26 percent), irrigation (19 percent), power (12 percent) and education (10 percent).

Over 22 million people have benefited from NSP sub-projects out of Afghanistan's total population of 36 million. NSP has created temporary rural employment by generating over 26 million labor days over the past ten years.

Key Partners:

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

Afghanistan: On-Farm Water Management Project

Key Dates:

Approved: March 16, 2011

Effective: March 16, 2011

Closing: June 30, 2014

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Dis-bursed	Undis-bursed
Total Project Cost	25	12.90	12.1
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (ARTF)	25	12.90	12.1



Project Background:

Most irrigation schemes in Afghanistan are operating at 25 percent efficiency, as compared to the norm of 40-60 percent elsewhere in South Asia.

Water loss occurs at farm level because the absence of proper farm-level irrigation systems (basins, furrows) leads to wastage of water supplied from the watercourses.

Under the Agriculture Production and Productivity Program, the first step is to improve agricultural productivity by reducing water loss in tertiary canals and proper on-farm water management practices.

Project Development Objective and Brief Component Description:

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

Component A: carries out social mobilization for the establishment of irrigation associations (IAs) in the project areas, including the provision of: (a) training to communities in organization and management of IAs; (b) facilitation services for communities to develop the IAs' internal legal rules and regulations; (c) assistance to IAs to be registered under the Water Law; (d) technical training to IAs; (e) carrying out engineering surveys and infrastructure improvements to small irrigation schemes, or tertiary canals, covering approximately 10,000 hectares in the project areas.

Component B: develops institutional capacity at the ministry to plan, design, implement, and monitor on-farm water management programs, and supports the construction of five office buildings to accommodate the ministry's irrigation directorate and staff at five regional centers in Kabul, Herat, Mazar-e-Sharif, Baghlan and Jalalabad.

Component C: strengthens institutional capacity at the ministry for project implementation, monitoring and evaluation, by establishing and maintaining a project implementation unit comprised of a Kabul-based core team, five project area teams, and internationally recruited experts.

Results Achieved:

Land productivity of wheat and other crops has increased by 15 percent, water productivity of wheat and other crops by 10 percent, and the irrigated area by 10 percent.

Surveys of 126 schemes have been completed, from which designs for 94 schemes have been prepared, and contracts for construction of 71 schemes have been awarded.

About 38 schemes covering an area of about 6,403 ha have been completed.

A total of 130 staff members of the Ministry of Agriculture, Irrigation and Livestock (MAIL) and provincial Department of Agriculture, Irrigation and Livestock (DAIL) have been trained overseas.

A total of 225 of ministry staff have been trained in topics ranging from on-farm water management, modern irrigation practices, system of rice intensification quality control and quality assurance construction, and social mobilization.

Key Partners:

Afghan Ministry of Agriculture, Irrigation of Livestock (MAIL)

Afghanistan: Public Financial Management Reform Project

Key Dates:

Approved: August 09, 2011

Effective: August 09, 2011

Closing: December 31, 2014

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Dis-bursed	Undis-bursed
Total Project Cost	73	36	37
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund	73	36	37



Project Background:

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

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

Project Development Objective and Brief Component Description:

To strengthen public financial management through effective procurement, treasury and audit structures and systems in line with sound financial management standards of monitoring, reporting, and control to ensure efficient, transparent and accountable use of public resources, and to increase aid utilization and improve development outcomes.

Component 1 introduces procurement reform aimed at enhancing procurement facilitation, capacity building in line ministries and provinces, and institutional development.

Component 2 covers financial management reform in treasury operations and system development, human resources capacity development, professional accountant organization, and line ministry public financial management assessments.

Component 3 brings audit reform and performance in internal and external audit.

Component 4 supports reform management.

Results Achieved:

Project support to Afghanistan's centralized procurement oversight has been mobilized and the Procurement Policy Unit in the Ministry of Finance continues to assist with the reorganization, development and assessment of procurement units in the line ministries.

The project has established alternative training facilities in Kabul after split from the Civil Service Institute.

Grants audits have been completed 100 percent during the last fiscal year.

The Financial Management Reform has progressed and major contracts have been sourced and executed.

Key Partners:

Ministry of Finance, Ministry of Economy, and the Supreme Audit Office of Afghanistan

Afghanistan: Rehabilitating and Expanding Electricity Infrastructure

Key Dates:

Approved: October 22, 2008

Effective: March 19, 2009

Closing: January 31, 2015

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	60	33.70	26.30
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (ARTF)	60	33.70	26.30



Project Background:

The project supports the continued rehabilitation and expansion of Afghanistan's electricity infrastructure, with a focus on increasing supply to the secondary cities of Charikar, Gulbahar and Jabul-es-Seraj, located 60-70 km north of Kabul, and Pul-e-Khumri, which is approximately 200 km north of Kabul.

It follows two recently-closed projects that addressed transmission and distribution rehabilitation in Kabul and Mazar-e-Sharif.

Project Development Objective and Brief Component Description:

The project development objective is to increase the number of electricity connections for the urban centers of Charikar, Gulbahar and Jabul-es-Seraj and Pul-e-Khumri in an institutionally efficient way.

Component 1 finances distribution system rehabilitation at Charikar, Gulbahar and Jabul-es-Seraj, and Pul-e-Khumri.

Component 2 finances a project management firm to support the Ministry of Energy and Water in implementation, and to undertake a pilot energy efficiency program.

Component 3 rehabilitates transmission switchyards associated with Naghlu and Mahipar hydropower stations

Results Achieved:

192 distribution lines constructed or rehabilitated under the project

526 KVA installed in Charikar, Gulbahar and Jabul-es-Seraj

2400 KVA installed in Pule Khumri

Key Partners:

Afghan Ministry of Energy and Water, Da Afghanistan Breshna Sherkat (DABS), Asian Development Bank (ADB), Government of India, Germany's KfW and USAID.

Afghanistan: Customs Reform and Trade Facilitation Project

Key Dates:

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

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	50.48	40.65	9.83
Borrower			
Co-financing			
Total Bank Financing	50.48	40.65	9.83
IDA	50.48	40.65	9.83
IBRD			
Trust Fund			



Project Background:

The Second Customs Reform and Trade Facilitation Project will continue the Bank's support as part of the overall donor effort to reform and modernize Afghan customs.

Project Development Objective and Brief Component Description:

Component 1 builds upon the accomplishments of the computerization effort undertaken under the first Customs Modernization project through implementation of Automated System for Customs Data.

Component 2 installs executive information systems for Customs allowing real time monitoring of operations to improve governance and mitigate chances of corruption.

Component 3 reviews the current available options to improve Customs to Customs cooperation, including data sharing between Afghanistan and its bordering countries.

Component 4 builds selected Customs infrastructure to enable modernized operations such as Inland Clearance Depots in Jalalabad, Kabul, Khost, Nimroz, Farah, and Andkhoy, as well as the Aqina Border Post.

Component 5 will provide technical assistance to the Customs Department to address major cross-cutting issues related to Generally Accepted Accounting Principles including improvement of laws and procedures; review of Customs clearance procedures; improvements to risk management and control requirements in the computerized framework; and informing the Customs role in collaborative border management.

Results Achieved:

Automated System for Customs Data (ASYCUDA) full declaration processing (DPS) is now fully operational in 13 computerized ACD offices, covering more than 95 percent of declared trade.

Migration from ASYCUDA++ version to the newer web based ASYCUDA World platform is also fairly advanced with both international and national transit covered through ASYCUDA World in 12 Customs offices.

Infrastructure development is progressing satisfactorily, with 10 large and 21 smaller civil works related contracts completed, including a new Customs House at Khost, and improvements to Jalalabad, Kandahar and Nimroz Customs Houses.

Substantial progress has been made in preparation of a Customs Modernization Action Plan, Post Clearance Audit (PCA) implementation plan, Risk Management policy and procedure, and Customs Strategic Plan.

Key Partners:

The Afghan Customs Department, MOF, UNOPS, UN Conference on Trade and Development, US Border Management Task Force, USAID, European Commission, DFID, Government of Canada, UNAMA, the Government of Japan, UNODC, IMF, ADB.

Afghanistan: Sustainable Development of Natural Resources Project II

Key Dates:

Approved: May 31, 2011
Effective: September 01, 2011
Closing: June 30, 2016

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	52	3.70	48.30
Borrower			
Co-financing			
Total Bank Financing	52	3.70	48.30
IDA	52	3.70	48.30
IBRD			
Trust Fund			



Project Background:

As part of a program approach to oil, gas and mining sector development in Afghanistan, the Executive Directors approved the following technical assistance operations: (i) Sustainable Development of Natural Resources Project (SDNRP) in 2006 (US\$30 million); (ii) SDNRP-Additional Financing (SDNRP-AF) in 2009 (US\$10 million); and (iii) Second SDNRP (SDNRP-2) in 2011 (US\$52 million).

Project Development Objective and Brief Component Description:

To assist the Ministry of Mines & Petroleum (MoMP) and the National Environmental Protection Agency (NEPA) in further improving their capacities to effectively regulate Afghanistan's mineral resource development in a transparent and efficient manner, and foster private sector development.

Component A will support the preparation and management of competitive and transparent procedures for development and extraction of the country's mineral resources.

Component B (Regulation and Monitoring of Operations) will strengthen the process of installing comprehensive frameworks for regulating activities in the mining and hydrocarbon sectors, and build institutional capacity of relevant government entities to monitor regulatory compliance.

Component C will help to recover and preserve some of the artifacts and antiquities at Mes Aynak by supporting the implementation of the Archaeological Recovery and Preservation Plan for Aynak antiques, and promoting alternative livelihoods through improving the sustainability of artisanal and small-scale mining enterprises.

Component D will provide funding support for the Project Management Unit (PMU) to discharge its functions and responsibilities.

Results Achieved:

Establishment International Advisory Panel (IAP) to ensure the transparency of the negotiations process; collection of new geo-data and the digital capture of existing historical geo-data for the development of a modern computerized geo-database and preparation of 18 sub-sector development policies to guide sustainable development.

Establishment of an independent external inspection and contract compliance monitoring system; capacity building of NEPA and MoMP on inspectorate services functions and regulatory monitoring; preparation of Resettlement Policy Framework (RPF) and Strategic Environmental and Social Assessment (SESA) for the sector, and implementation of the Extractive Industries Transparency Initiative (EITI).

Nearly 75 percent of the archeological red zone has been extracted at Mes Aynak.

Key Partners:

Afghan Ministry of Mines and Petroleum Afghanistan, National Environmental Protection Agency, UK's Department for International Development (DFID), USAID and the Task Force for Business Stabilization and Operations within the US Department of Defense, Germany's GIZ, Australia, Finland, and the Indian School of Mines.

Afghanistan: Justice Service Delivery Project

Key Dates:

Approved: June 01, 2012

Effective: June 01, 2012

Closing: May 31, 2017

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	40	6.34	33.66
Borrower			
Co-financing			
Total Bank Financing			
IDA			
IBRD			
Trust Fund (ARTF)	40	6.34	33.66



Project Background:

The Justice Service Delivery Project beneficiaries include the Supreme Court, the Ministry of Justice, and the Attorney General's Office and – through support to these institutions – the poor, who will benefit from better and more efficient legal services. The project seeks to mitigate the impact of the political and security transitions, put the justice system on a sustainable path for long-term results, and improve service delivery.

Project Development Objective and Brief Component Description:

The project objective is to increase access to and use of legal services.

The project development objectives will be achieved by balancing demand and supply of core legal services and increasing the productivity of legal service providers through: (a) encouraging specialization and close collaboration among various service providers; (b) aligning the structure, organization, processes and capacities of judicial institutions to contemporary needs of users; and (c) easing access to legal information for legal professionals, judicial institutions and the broader public.

The project consists of four interrelated components: (a) Partnership for Justice; (b) Legal Empowerment; (c) Organization and Capacity of Justice Institutions; and (d) Implementation Capacity.

Results Achieved:

Implementation infrastructure is in place; annual work plans have been prepared.

Capital Investment Plans are under implementation; the development of the Legal Aid Road Map and Legal Aid Regulatory Framework, Training Needs Assessments for courts and public defenders' offices are about to be contracted.

Civil service reform in the Attorney General's Office has advanced according to plan.

Training programs for prosecutors focusing on white collar and corruption related crimes are on their way.

Construction of Information and Administrative Center of the Supreme Court and two other provincial offices have been completed.

Key Partners:

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

Afghanistan: System Enhancement for Health Action in Transition Project

Key Dates:

Approved: February 28, 2013

Effective: June 20, 2013

Closing: June 30, 2018

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	407	34.47	372.53
Norwegian Health Results Innovation Trust Fund	7	0	7
Co-financing (Afghan Govt.)	30	0	30
Total Bank Financing			
IDA	100	12.06	87.94
IBRD			
Trust Fund (ARTF)	270	22.41	247.59



Project Background:

The System Enhancement for Health Action in Transition (SEHAT) Project augments the progress achieved through the Strengthening Health Activities for Rural Poor project, and will support the implementation of the Basic Package of Health Services (BPHS) and Essential Package of Hospital Services (EPHS) through contracting arrangements both in rural and urban areas covering 22 of the country's 34 provinces, including Kabul.

Project Development Objective and Brief Component Description:

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

Component 1 supports the implementation of the BPHS and EPHS through performance-based partnership agreements between the Ministry of Public Health and NGOs that deliver health services as defined in these packages.

Component 2 involves strengthening sub-national governments; strengthening the Healthcare Financing Directorate; developing regulatory systems and capacities to ensure quality pharmaceuticals; working with the private sector; enhancing capacity for improved hospital performance; strengthening human resources for health; governance and social accountability; strengthening health information systems and the use of information technology; strengthening health promotion and behavioral change; and improving fiduciary systems.

Component 3 supports costs associated with system development and stewardship functions of the Ministry of Public Health including those at central and provincial levels and technical assistance.

Results Achieved:

Increase in births attended by skilled health personnel among lowest income quintile from 15.6 percent to 35 percent.

PENTA3 immunization coverage (a combination of five vaccines in one covering polio, diphtheria, Pertusis, tetanus and hepatitis B) among children aged between 12 and 23 months in lowest income quintile, has more than doubled, from 28.9 percent to 60 percent.

Contraceptive prevalence rate (using any modern method) has increased from 19.5 percent to 30 percent. Proportion of children under 5 years of age with severe acute malnutrition receiving treatment.

Score on the examining quality of care in SCs, BHCs, and CHC on the balanced scorecard rose from 61 percent to 70 percent.

Key Partners:

Ministry of Public Health, USAID, European Union and UN agencies.

Afghanistan: Safety Nets and Pensions Support Project

Key Dates:

Approved: October 15, 2009

Effective: February 10, 2010

Closing: June 30, 2016

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	20	7.4	12.6
Borrower			
Co-financing			
Total Bank Financing	20	7.4	12.6
IDA	20	7.4	12.6
IBRD			
Trust Fund			



Project Background:

The Afghan formal social protection system consists largely of a pension scheme for public sector employees, military and police, as well as social safety nets encompassing a number of government and donor schemes that transfer cash and in-kind benefits to various groups.

Existing government interventions, however, remain small, both in terms of beneficiaries and spending. In pensions, the government's objective is to ensure fiscal sustainability and mitigate fiscal impact of the civil service reform on the pension program, making it consistent with the broader public sector reform agenda.

Project Development Objective and Brief Component Description:

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

Component 1: Pensions: supports the design of new administrative arrangements for the public pension system and modernization of the existing pension systems, including the Martyrs and Disabled Pension.

Component 2: Safety nets: supports the design and piloting of targeting and delivery systems to establish a poverty-targeted cash transfer system; this includes capacity development at the ministry to deliver and coordinate social protection programs.

Results Achieved:

Financed key elements of a reformed and modernized Public Sector Pension System, which includes a revised institutional and human resources structure of the Pension Department, a comprehensive new Management Information System, a set of business processes, fiscal forecasting models for revenues and expenditures, and a new chart of accounts of the pension system.

A multi-phased safety net cash transfer pilot has been designed, implemented and evaluated. A targeting and benefit delivery mechanism has been tested and is now being further improved, together with computerized registration.

The pilot program over the past two years has provided support in cash transfers to over 16,000 poor and vulnerable families (around 80,000 individuals) in eight selected districts in five provinces.

Key Partners:

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

Afghanistan IFC: Access to Finance—Financial Infrastructure Public Credit Registry Project

Key Dates:

Approved:

Effective: January 01, 2009

Closing: June 30, 2014

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	0.563		
Da Afghanistan Bank (in-kind)	0.04	0.04	0
Co-financing (Harakat)	0.37		
Total Bank Financing			
IFC	1.93		
IBRD			
Trust Fund			



Project Background:

The Afghanistan Credit Registry project is part of the Financial Infrastructure Program in the MENA region. At the outset of the project, Afghanistan did not have credit reporting infrastructure in either a public credit registry or a private credit bureau.

This inhibited expansion of access to finance in Afghanistan as lenders lacked necessary information for underwriting and risk management processes, limiting their willingness to broaden lending practices.

Access to finance is viewed as a key constraint on micro, small and medium enterprise (MSME) growth in Afghanistan, and a credit registry will improve financing opportunities and help economic growth.

Project Development Objective and Brief Component Description:

The objective of the project is to establish a credit registry, hosted and operated by the Central Bank of Afghanistan, which is in line with best practice standards.

Help the banking sector adopt better risk management practices through access to credit information, while helping the central bank strengthen its supervisory capability.

The project includes the following components: a) legislative reform to draft and enact credit information sharing laws/regulations; b) creation of a functioning credit registry hosted and operated by the Afghan central bank; and c) awareness raising and capacity building to increase knowledge among stakeholders.

Results Achieved:

A comprehensive credit information-sharing regulation enacted by the central bank which establishes the foundations for credit reporting in Afghanistan. In the short term, this caters for a credit registry at the central bank. Longer term, it will establish a private credit reporting model when the market is ready.

Selected international vendor to develop credit registry system at central bank.

Implemented and launched the first phase of the credit registry in December 2013, with 16 banks participating.

Conducted eight capacity building and awareness events for 118 participants from the public and private sector.

Key Partners:

Da Afghanistan Bank, Harakat

Afghanistan IFC: Access to Finance—Financial Infrastructure Secured Lending Project

Key Dates:

Approved:

Effective: November 30, 2008

Closing: June 30, 2014

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	0.60		
Harakat Grant	0.30		
Japan	0.07		
The Netherlands (NIPP)	0.02		
Total Bank Financing			
IFC Pool Funds	0.21		
IBRD			
Trust Fund			



Project Background:

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

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

Project Development Objective and Brief Component Description:

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

In Afghanistan, the project operates under 3 components: a) legislative reform resulting in enactment or amendment of laws and regulations to enhance rights of creditors of movable assets; b) creation of a functioning movable asset registry to enable lenders to effectively file a notice related to their proprietary rights, and c) awareness raising and capacity building activities to increase knowledge among stakeholders about the benefits of well-functioning secured financing systems.

Results Achieved:

Two new acts on secured transactions in movable property adopted in Afghanistan

Improvements in the ranking of Afghanistan from '0' to '7' on the "Ease of Getting Credit" ranking of Doing Business in 2013.

Establishment of the Afghanistan Institute of Banking and Finance in November 2010.

Key Partners:

Da Afghanistan Bank, Harakat

Afghanistan: Urban Water Sector Project

Key Dates:

Approved: May 25, 2006
Effective: December 27, 2006
Closing: June 30, 2014

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	18.72	8.03	10.69
Borrower			
Co-financing			
Total Bank Financing	18.72	8.03	10.69
IDA	18.72	8.03	10.69
IBRD			
Trust Fund			



Project Background:

Lack of investment, conflict and drought during the decades before 2005, plus rapid urban growth in recent years, contributed to very poor quality water supply service in Afghan cities.

Piped water coverage in 2005 was among the lowest in the world at around 18 percent, and because of poor operation and maintenance, the water service was reaching an even smaller share of the population.

Sewerage coverage presented a dismal picture, with less than 2 percent of Kabul's population having access, and wastewater was only being partially treated before discharge into the Kabul River.

Under efforts to meet Millennium Development Goals (MDG), the government envisaged that 50 percent of households in Kabul and 30 percent households in other major urban centers would have access to piped water by 2010.

To achieve this target, the government took major steps on the policy and institutional fronts, with the announcement of the Afghanistan Urban Water Supply and Sewerage (AUWSSC) Sector Policy, Urban WSS Sector Institutional Development Plan, and the Presidential Decree to corporatize CAWSS to: (i) improve sustainable access to safe drinking water and basic sanitation in accordance with the MDGs; (ii) ensure improved operation and maintenance of the WSS infrastructure; and (iii) place emphasis on full cost recovery and financial sustainability of service providers.

Project Development Objective and Brief Component Description:

The Urban Water Sector Project for Afghanistan aims to assist the government in developing the capacity of the Afghanistan Urban Water Supply and Sewerage Corporation for operational management and investment planning and implementation.

Component 1: institutional development of Afghanistan Urban Water Supply and Sewerage Corporation.

Component 2: financial support to Afghanistan Urban Water Supply and Sewerage Corporation operations.

Component 3: extension of the Kabul water supply system.

Results Achieved:

AUWSSC has assumed the country's urban water supply and sewerage responsibility and expanded operations from 16 to 42 towns.

AUWSSC achieved: (i) expansion of operations from 16 to 42 towns (162 percent increase); (ii) reduction in water production and distribution costs by 25 percent; (iii) reduction in system water losses from 60 percent to 35 percent; (iv) reduction in staff per water connection from 8.6 to 5.9; (v) increase in total operational revenues by 3rd quarter 2013 over end 2011 by 67 percent; and (vi) increase in the number of water connections by 2nd quarter 2013 by 8 percent.

A system of internal monitoring and monthly reporting between the AUWSSC HQ and Strategic Business Units (SBUs) is in place providing both physical and financial data.

Key Partners:

Afghan Urban Water Supply and Sewerage Company

Afghanistan IFC: Afghanistan International Bank

Key Dates:

Approved: June, 2009

Effective:

Closing:

Financing in million US Dollars (as of February 28, 2014)

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

Project Background:

Afghanistan International Bank (AIB) is sponsored by Asian Development Bank (ADB) and three Afghan private sector business groups, namely Afghan Investment Partners Corporation (AIPC), Horizon Associates LLC (HA), and Wilton Holdings Ltd (WHL), each having a shareholding of 25 percent.

The bank was founded in March 2004 and is present in the major cities of Afghanistan through its network of 31 branches. It has roughly 22 percent of total assets of the banking sector as of July 2013 and was the first bank to commence ATM services and introducing international debit card services in Afghanistan.

AIB focuses its lending efforts on corporate, and small and medium sized enterprises, mostly in the trading sector (55 percent), followed by fuel suppliers (25.9 percent), construction (8.4 percent) and telecommunications (2.7 percent).

Project Development Objective and Brief Component Description:

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

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

Results Achieved:

AIB has made a substantial development impact evident from its market-leader position in the banking sector of Afghanistan.

AIB ranked number 1 in terms of assets as of July 31, 2013.

The bank is also regarded highly in the sector through its financial performance characterized by a relatively sound asset quality despite the tough operating and macroeconomic environment.

Key Partners:

Afghanistan International Bank (AIB), Asian Development Bank (ADB), Afghan Investment Partners Corporation (AIPC), Horizon Associates LLC (HA), Wilton Holdings Ltd (WHL)

Afghanistan IFC: Business Edge—Fast Afghanistan Phase-2

Key Dates:

Approved:

Effective: April 01, 2013

Closing: June 30, 2016

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost			
Borrower			
DFID Grant	0.520		
Total Bank Financing			
IDA			
IBRD			
Trust Fund			



Project Background:

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

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

IFC has been contributing to the development of management capacity in both the public and private sector with its Business Edge (DFID funded) management training program for the past 4 years (September 2008 to March 2013).

The program, since inception to December 31, 2013, has delivered training to 5,313 people including 2,554 (48%) women and reached 353 MSMEs. The impact assessment indicated that 91 percent of the private sector respondents expressed a positive impact of the BE training on company performance.

Project Development Objective and Brief Component Description:

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

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

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

Results Achieved:

From Sept 2008 to Dec 2013, the program delivered training to 5,313 people including 2,554 (48 percent) women and reached 353 MSMEs.

Under the new project alone (April 2013 to Dec 2013) the program has delivered training to 1,857 people including 1,341 (72 percent) women and reached 63 MSMEs.

Key Partners:

Advanced Business Consulting (ABC), Kaweyan Business Development Services (KBDS), BRAC Afghanistan, Afghan Business Capacity Development (ABCD) Consultants, Afghanistan Institute of Banking and Finance (AIBF), The MicroFinance Investment Support Facility for Afghanistan (MISFA), Rupani Foundation, Oriental Consultants, Women Star Consultancy, UK's Department for International Development (DFID)

Afghanistan IFC: Investment Climate – Construction Permit Reform

Key Dates:

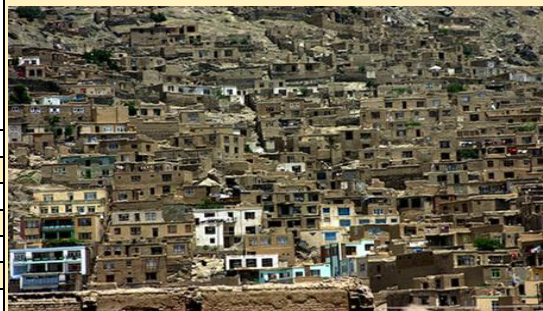
Approved:

Effective: May, 2013

Closing: May, 2016

Financing in million US Dollars (as of February 28, 2014)

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



Project Background:

According to the Doing Business Report 2013, Afghanistan ranks 164th among 183 economies on the “ease of dealing with construction permits” indicator.

Currently, investors must wait for at least 334 days in order to get a construction permit. Alternatively, they pay bribes to speed up the process, discouraging local and foreign investors and giving way to corruption.

There is a pressing need to eliminate unnecessary delays and curb corruption in the process, while increasing investor interest in the construction sector through the reform and simplification of construction permitting within Kabul Municipality.

By establishing a streamlined permit process, Afghanistan seeks to reduce corruption and improve transparency in this priority area.

Project Development Objective and Brief Component Description:

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

The new framework will also allow the government to retroactively formalize unpermitted buildings. The project aims to reduce the time it takes to obtain construction permits from the current 334 days to 180 days; reduce the number of procedures from 15 to 9; and improve the capacity of civil servants operating the process.

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

Results Achieved:

Implement and monitor the new, simplified construction permit processes in Kabul to ensure smooth operations and make necessary adjustments based on early implementation results.

Provide the necessary legal expertise to support the client in drafting framework changes in light of best practices.

Support the Afghan government in the implementation of the capacity building/training plan. The training plan will comprise two levels to address operational level staff and management (decision making) level officials. Run the Private Public Dialogue (PPD) as per the design stage.

Key Partners:

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

Afghanistan-IFC: DABS Kandahar

Key Dates:

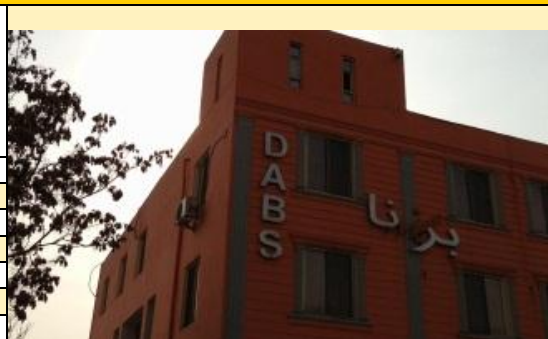
Approved:

Effective:

Closing:

Financing in million US Dollars (as of February 28, 2014)

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

Project Background:

Da Afghanistan Breshna Sherkat (DABS) is the national power utility of Afghanistan. DABS is a limited liability company that is wholly owned by the government of Afghanistan and has the authority to operate and manage electric power generation, import, transmission, and distribution throughout Afghanistan on a commercial basis.

Kandahar province in Afghanistan has a population of around 1,080,000. The city of Kandahar is one of the six largest cities in Afghanistan with a population of around 500,000. There are a total of 75,000 registered electricity customers across Kandahar, with about 50,000 of them based in Kandahar City.

An estimated 20 percent of additional customers are either not registered or are illegal. Installed capacity in Kandahar does not meet current demand and is further reduced by the inability to source fuel, leading to significant amounts of load shedding (around 20 hours a day).

Reliable supply, in the form of hydropower, accounts for approximately 15MW. The average cost of electricity is estimated at 33 ¢/kWh due to the high cost of imported diesel.

IFC is supporting DABS to develop, negotiate and execute a management support contract to improve the operational and financial efficiency of the Kandahar Operating Centre, DABS' regional department responsible for operations in Kandahar.

It is expected that the contract will be awarded by mid-2014.

Project Development Objective and Brief Component Description:

The objective of the project is to improve the financial and operational efficiency of the Kandahar Operating Centre. To do this, the private contractor would provide the following support to the Kandahar Operating Centre: a) capacity building, b) management support, c) customer care, d) implementation and integration with the Electricity Commercialization Program, e) community engagement; and f) reducing aggregated technical and commercial losses.

By reducing financial and technical losses, it will be possible to increase supply to existing customers, improve reliability for industrial customers, and make the provision of power in the Southern region of Afghanistan more sustainable.

Results Expected:

By introducing private sector participation for this Project, IFC expects to increase the number of people with access to improved electricity services by 300,000 (by April 2018).

Key Partners:

Da Afghanistan Breshna Sherkat, United States Agency for International Development (USAID)

Afghanistan IFC : IFC Investment--Roshan

Key Dates:

Approved: January 17, 2013

Effective: February 14, 2013

Closing:

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	65	55	10
Borrower			
Co-financing			
Total Bank Financing	65	55	10
IFC (Lending)	65	55	10
IBRD			
Trust Fund			



Project Background:

Founded in 2003, Roshan is the leading local mobile operator in Afghanistan with an estimated 27 percent mobile market share and 5.6 million subscribers as of March 2013.

The company currently reaches 230 cities and towns in all of Afghanistan's 34 provinces and covers approximately 62 percent of the population.

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

Project Development Objective and Brief Component Description:

IFC provided Roshan with long-term financing not available from local commercial banks or capital markets to finance its 3G expansion plan.

Given an internet penetration rate of only 4 percent and a fixed line penetration of 1 penetration in the country, IFC's investment is expected to create a competitive environment that motivates all operators to provide the best quality mobile data services at competitive prices to the Afghan population.

In accordance with the 3G license obligations, Roshan will extend its mobile broadband services coverage to achieve a target of 80 percent population coverage in key cities within five years.

Other development impacts include: (i) broadening economic opportunity to reach the unbanked population in Afghanistan through Roshan's mobile banking services; (ii) financially supporting community social programs such as building schools and playgrounds and providing clean water wells; and (iii) reducing the gender gap by financially supporting the inclusion of women in society.

Results Expected:

Increase mobile banking customers to 0.9 million (against less than 0.1 million today)

Increase mobile customers to 8.1 million (against 5.6 million today)

Increase direct employment to 1,417 (against approximately 1,200 today)

Support local companies and SMEs by partnering with over 4,600 dealers and distributors (against 4,300 today)

Increase the amount of regulatory fees and taxes paid to the government to US\$59 million

Key Partners:

Roshan, AKFED (a for-profit international development agency), Monaco Telecom (the main telecommunication company in Monaco), Teli-aSonera (a leading telecommunications operator in the Nordic and Baltic regions)

Afghanistan: Strengthening Afghanistan Horticulture Exports Project

Key Dates:

Approved:

Effective: January 01, 2014

Closing: October 31, 2017

Financing in million US Dollars (as of February 28, 2014)

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



Project Background:

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

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

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

Project Development Objective and Brief Component Description:

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

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

Results Achieved:

Support 1,000 farmers in adopting best agriculture practices for fruits, and comply with market standards. The outreach to farmers will be ensured through the already established network of extension workers in Kandahar.

Improve the operations of 1-2 lead Afghan agribusiness firms, through the integration of farmers that were able to implement best practices in their supply chains.

Increase the sales value of Afghan fresh and processed fruits by US\$2 million, through at least four export contracts, as a result of supporting one to two leading Afghan agribusiness firms in accessing wider market opportunities.

Key Partners:

Large fruit processing companies in Afghanistan, the Extension Workers Association, local NGOs, organizations engaged in supporting the agribusiness sector in Afghanistan

Afghanistan MIGA: Mido Dairy Production Company

Key Dates:

Approved:

Effective: October 29, 2013

Closing: November 22, 2013

Financing in million US Dollars (as of February 28, 2014)

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


Project Background:

Dairy products are a major source of protein in Afghanistan. However, the dairy sector was largely destroyed during the Afghan civil war and has yet to fully recovered. Imported dairy products have gained the majority of the market share in large metropolitan areas including Kabul. Supporting the livestock and local dairy industries has been a priority for the Afghan government as well as international development organizations. However, domestic producers continue to find it difficult to compete with imported products in terms of both quality and quantity. MIGA issued a guarantee of US\$1.82 million for 10 years to Mido Dairy Production Co to cover direct equity against the following risks: Transfer Restriction, Expropriation and War and Civil Disturbance.

Project Development Objective and Brief Component Description:

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

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

Results Expected:

With MIGA guarantee coverage, MIDO is expected to achieve:

The generation of 20-25 new permanent jobs;

€1.2 million over the 7 years of operation in taxes and fees

27.9 percent economic rate of return.

Key Partners:

Mido Dairy Production Co.

Afghanistan MIGA: Traitex Industry

Key Dates:

Approved: June 26, 2013

Effective: June 28, 2013

Closing:

Financing in million US Dollars (as of February 28, 2014)

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	2.155		
Borrower			
Shareholder loan	0.825		
Total Bank Financing	1.33		
IDA	1.33		
IBRD	2.155		
Trust Fund			



Project Background:

Afghanistan is the third largest producer of raw (greasy) cashmere in the world, after China and Mongolia. Cashmere is harvested only in limited areas of Afghanistan, mostly in the western provinces of Herat, Farah, Ghor, and Badghis.

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

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

Traitex Belgium is an independent processing company that scours and carbonizes wool and cashmere. It is based in Verviers, Belgium. In June 2013 MIGA issued a guarantee of US\$1.3 million to Traitex to cover direct equity against the risks of transfer restriction, expropriation, and war and civil disturbance.

Project Development Objective and Brief Component Description:

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

Results Achieved:

Generation of 35 permanent jobs directly, as well as supporting many hundreds of cashmere farmers indirectly;

US\$35,000 in taxes and fees annually;

20.6 percent economic rate of return.

Key Partners:

Traitex Industry