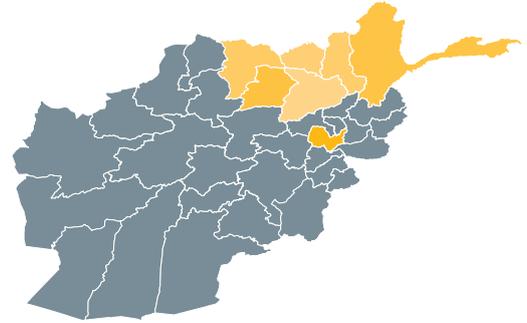


German Cooperation with Afghanistan

Economic development and employment promotion



Context

In recent years, the Afghan government has laid the foundations for Afghanistan’s economic development. However, the efficacy of state and private institutions is still restricted by a shortage of expertise and inadequate structures. Corruption, legal uncertainty and the precarious security situation are further factors negatively affecting the investment climate in the country.

Agriculture has a key role to play in Afghanistan’s economic development as there is clear potential for growth in this area. Around two thirds of Afghans work in the agricultural sector and around 60% of households are dependent on agriculture for

their livelihoods. Improvements to the economic and administrative framework are required if this potential is to be tapped more effectively. State support services for agricultural businesses, such as access to loans, irrigation and storage systems and advisory services for farmers, are currently either scarce or lacking entirely.

Objective

Afghanistan’s economy is more competitive; employment and income opportunities have been created for men and women in all population groups, and an improved legal and institutional framework and enhanced support structures for the private sector have been developed.

Measures and Results

Since 2002, the German government has been supporting its Afghan partners in their efforts to implement economic reforms. KfW supports the Afghan government through the development of finance systems and economic infrastructure. The role of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is focused on the promotion of sustainable economic development and employment in the agricultural sector.

Developing finance systems

Acting on behalf of the German government, KfW is a shareholder in Afghanistan’s largest microfinance institution, the First Micro Finance Bank (FMFB), and provides additional funds to finance the expansion of lending.

Since it was founded in 2004, the FMFB has operated in 51 districts across 14 Afghan provinces and now employs 1,000 members of staff. Currently, around 60,000 microloans – with an average volume of 900 euros – and more than 1,000 loans to small and medium-sized enterprises (SMEs) have been taken out. Women make up 17% of borrowers.

Overview	
Programme	Sustainable Economic Development and Employment Promotion (SEDEP) First Micro Finance Bank Afghanistan Economic Infrastructure Development Afghanistan (EIDA) Employment Promotion (J4P)
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Partners	Ministry of Commerce and Industry (MoCI) Ministry of Finance (MoF) Ministry of Rural Rehabilitation and Development (MRRD) First Micro Finance Bank Afghanistan (FMFB) Afghanistan International Bank (AIB) Ghazanfar Bank
Implementing organisations	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH KfW Afghanistan Credit Guarantee Foundation (ACGF)
Provinces	Kabul, Badakhshan, Baghlan, Balkh, Samangan, Kunduz, Takhar
Programme objective	Employment and income opportunities have been created for men and women in all population groups and the private sector is better supported.



4,400 individual loans
with a total volume of around
EUR 170 million

Afghanistan Credit Guarantee Foundation (ACGF)

In September 2014, the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) converted the Credit Guarantee Facility for Afghanistan (CGF-A), which had been running successfully for several years, into a non-profit foundation operating under German law. The resulting Afghanistan Credit Guarantee Foundation (ACGF), like its predecessor, facilitates the provision of loans to Afghan SMEs. To date, over 4,400 individual loans have been granted, with a total volume of around EUR 170 million. This has resulted in the creation of some 8,100 jobs. One enterprise, a motorcycle assembly company based in Herat, was able to increase its staff from 12 to 43 and its capital from EUR 90,000 to EUR 3.6 million, having received a loan of EUR 540,000.

Developing economic infrastructure

In 2016, KfW initiated a new project aiming to improve economic infrastructure for wheat growing. The project has enabled the rehabilitation of small-scale irrigation systems in Afghanistan's Northern provinces and of individual roads, bridges and storage facilities.



Irrigation systems for agricultural development | © GIZ

The improved economic framework will lead to the intensification of wheat production and to successive increases in yield. The agricultural sector also provides seasonal employment opportunities, enabling farming families to increase their income in the long term.

Sustainable Economic Development and Employment Promotion

GIZ's activities in the field of economic development and employment promotion focus on five supply chains: poultry, dairy products, selected vegetable crops, wheat and nuts. With the aim of improving the performance of supply chains, activities are being carried out at district, provincial and national level that promote the participation of all stakeholders: farmers, suppliers, sellers, entrepreneurs, cooperatives and political decision-makers. The measures include:



Improving the performance of **5** supply chains: poultry, dairy products, selected vegetable crops, wheat and nuts

- Promotion of dialogue between the private and public sectors at district, provincial and national level in order to overcome obstacles to the production and sale of products.
- Provision of technical, organisational and business training to stakeholders in five supply chains. The organisation of events such as trade fairs facilitates exchange among the various stakeholders.
- Improvement of rural infrastructure through activities such as the maintenance and development of irrigation systems and storage facilities.

So far, around 7,500 new jobs have been created in the agricultural sector as a result of these measures. New processes and innovations have also been initiated, which have helped to increase the incomes of those active in the sector.

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