

Economic development in Afghanistan

Sector

Wirtschaftsförderung
Economic development
Afghanistan growth

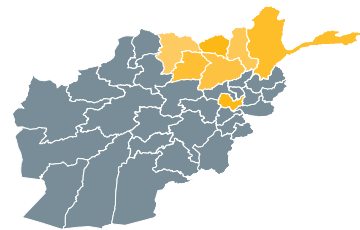
Situation

Afghanistan is one of the poorest countries in the world. After 25 years of war, its industry and infrastructure have virtually been brought to their knees. This explains why today Afghanistan's markets are overrun with goods imported from other countries. Only a handful of agricultural goods are produced locally. A lack of democratic and legal structures, insufficient lending to businesses and a lack of interest representation for private companies mean that small- and medium-sized enterprises (SMEs) find it hard to get ahead in Afghanistan. In addition to the sensitive security situation, the main problems in the business sector include the poor or inexistent infrastructure as well as underdeveloped management and specialist capacities in public and private institutions. With the German Government's assistance, it is planned to set up a basic infrastructure and to make it easier for businesses to access financial services. It is further intended to strengthen state institutions and the private sector, with a view to improving the Afghan population's chances on the job market and thus raising incomes.

Commitment

Working on behalf of the German Government, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and KfW Entwicklungsbank are assisting the Afghan Government in improving the economic framework in the country. This involves establishing financial institutions to supply the business sector with the capital it needs, especially microloans and small loans to SMEs.

Commissioned by Germany's Federal Ministry for Economic Cooperation and Development (BMZ), KfW Entwicklungsbank is expanding the country's infrastructure. This includes overland and urban roads, bridges and markets. Furthermore, in 2009 work was started on the expansion of the airport at Mazar-e Sharif. This project, which is funded by Germany's Federal Foreign Office (AA), also falls under the remit of KfW



Activities in the provinces of Balkh, Kunduz, Takhar, Badakhshan (top from left to right) and Kabul (bottom right) as well as countrywide (micro-finance sector)



Better quality thanks to better hygiene

Photo: Lorenzo Tugnoli



Adding yet more value to gemstone processing

Photo: Lorenzo Tugnoli

Entwicklungsbank. By the year 2012, the airport at Mazar-e Sharif is set to meet all international specifications and standards.

Support for professional associations, expert groups and authorities includes assistance with further training and organisational development. At the national level, German experts are advising the Ministry of Trade in Kabul. German expertise has also helped set up the Export Promotion Agency Afghanistan (EPAA) and reform the Afghan Chamber of Commerce and Industries (ACCI). In Afghanistan's northern region, GIZ is working on behalf of BMZ to improve quality in product value chains, specifically for dried fruit, rugs and carpets, semi-precious stones and leather goods. In parallel, small businesses are receiving direct consultancy inputs. German assistance is also behind the rehabilitation measures at the sugar factory in Baghlan Province in North Afghanistan.

Results

Thanks to Afghan-German development cooperation, the conditions for economic growth have improved since 2002. The German Federal Ministry for Economic Cooperation and Development (BMZ) helped set up the Export Promotion Agency Afghanistan (EPAA), enabling Afghanistan to up its exports by some ten per cent in 2008/09 to Euro 3.8 billion. Other key factors included improvements in product quality and the better marketing options this leads to. In January 2011, the Afghan-German development cooperation helped the EPAA take a select group of Afghan companies to the 'International Green Week' in Berlin, the world's largest trade fair for the food industry, agriculture and horticulture. Attendees were able to see first hand the quality of the Afghan products on show, which included walnut oil, dried apricots, mulberries and fine silk scarves.

In 2007, the BMZ-backed First Micro Finance Bank (FMFB), which extends appropriate loans to small businesses, was presented with the 'Consultative Group to Assist the Poor (CGAP) Transparency Award', making it a standard setter in the microfinance sector. Furthermore, with German assistance, the Afghan Chamber of Commerce and Industries (ACCI) has successfully completed its relaunch, a process that involved its 10,000 members electing new and democratic leadership committees. Companies located in the north are continuing to receive consultancy and capacity-building inputs. This includes the establishment of a business start-up fund which helped some 80 new enterprises get off the ground in 2010, creating more than 250 jobs in the process.

Facts and Figures

Total BMZ Outlay Since 2002: € 168 million

- **First Micro Finance Bank founded and built up:** Around 100,000 microloans and 300 SME loans worth around € 106 million in total extended at 17 locations.
- **Sustainable economic development programme in North Afghanistan and Kabul:** Improved the competitive capacity of the Afghan private sector as well as employment opportunities in selected sectors. Consultancy given on economic reforms and WTO accession. Institutions set up to promote economic growth (Export Promotion Agency, Investment Agency, Afghan Chamber of Commerce and Industries and Afghan Federation of Craftsmen and Traders) and promoted SMEs and local business, improved value added for local products and enhanced the investment climate, too. Local cooperatives and women's business activities strengthened and business start-ups and young entrepreneurs trained.
- **Infrastructural reconstruction in the north:** rebuilding and extension of roads, bridges and markets, mainly using local workers. Irrigation and cropping areas developed (€ 44 million). German Federal Foreign Office rebuilt and expanded airport at Mazar-e Sharif. Main road built between Kunduz and Khulm (€ 22 million). Rehabilitation of Baghlan sugar factory.



Producing high-quality walnut oil

Photo: Lorenzo Tugnoli

Status as at August 2011

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