

USAID/Afghanistan

Annual Report

FY 2005

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Please Note:

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Afghanistan

Performance:

Background: USAID re-opened its Mission in Afghanistan in 2002, in response to pressing humanitarian needs confronting the country following the removal of the Taliban regime. Between 2002 and 2004, USAID transitioned from an emergency response to a developmental approach, focusing assistance on sustainable, capacity-building activities that support U.S. interests in a stable, self-sufficient nation. Now, following the first national democratic elections, development support to Afghanistan remains at the center of U.S. national interest.

When the transitional government in Afghanistan was established over three years ago, the country's infrastructure was in ruins, a generation of Afghans had lost access to education, and no banking system existed. One of the worst droughts in Afghanistan's history, combined with conflict, had destroyed the livelihoods of millions. Some became refugees, while others joined the ranks of internally displaced persons (IDPs), forced to leave their homes in search of food and water. Millions were dependent on food aid and maternal and child mortality rates climbed to among the highest in the world. Few children, and virtually no girls, were receiving an education, as the Taliban had provided no central system of governing or providing critical services.

With the signature of the Bonn agreement in December, 2001, Afghanistan took the first step in a new direction. Since then, the progress has been remarkable. Over 4.8 million children are enrolled in school for the first time ever. A banking system has been established, and electronic transfers are being made, increasing the efficiency of funds transfer and facilitating business transactions. USAID has taken the lead in the construction of hundreds of kilometers of provincial roads, built new, and refurbished old, schools and clinics, and trained thousands of teachers and health care providers. Today 31 independent radio and TV stations in the country are reaching 7,000,000 people with talk shows, music, news, and public service information.

Customs revenue has increased annually, and this year the country is on track to raise over \$250 million through customs revenue alone. Borders are becoming more secure, and the Afghan Army has been used to successfully quell disturbances in parts of the country. From 58 steps previously required to obtain a business license, entrepreneurs now need to go through only six. New courthouses are springing up throughout the country to house over 500 lawyers and judges who have received modern legal training. At the same time, the restructuring of the fiscal sector has exceeded expectations since the passage of an important law improving tax administration. While corruption persists, it has decreased sharply, especially in the restructured Ministry of Finance, which has overseen a general increase in revenue and decrease in government expenditures. Due to the hard work and commitment of the Afghan people, national GDP rose by 28.6 percent in 2002, 16.7 percent in 2003, and is on track to expand by 7.5 percent in 2004.

U.S. Interests and Goals: Afghanistan is a critical ally in combating terrorism. The Afghan Government has staunchly supported efforts by the international community to drive out the last remnants of terrorist operations. USAID's approach to promoting democratic governance and market-based economic reform and growth are designed to contribute to Afghanistan's stability. The President's National Security Strategy pledges that the U.S. will provide assistance to "rebuild Afghanistan so that it will never again abuse its people, threaten its neighbors, and provide a haven for terrorists". In support of this pledge, the State Department and USAID have developed a joint strategic plan that specifically provides for continued commitment of assistance to Afghanistan as a key priority.

Donor Relations: The Government of Afghanistan leads overall donor coordination through a system of

Consultative Groups (CG). The core CG is led by the Minister of Finance, and is composed of high-level representatives of each donor country, as well as representation from U.N. agencies and Afghan ministries. In addition, there are 13 technical CGs that are focused on specific areas such as health, education, and economic growth that are attended by representatives of key donors and ministries for each sector. In coordination with the CG process, the GOA has established a system for tracking aid flows, the Donor Assistance Database, to Afghanistan to assist in fundraising and resource allocation efforts. In addition, the National Development Budget is the Government of Afghanistan's internal budget describing reconstruction requirements and contributions by donor. USAID provides representation and information directly to each of the groups and processes listed above, and all USAID funding is reflected in both the Donor Assistance Database and the National Development Budget. In addition to GOA-led coordination meetings, USAID also meets directly with donor and U.N. representatives to discuss coordination of development activities.

The Afghanistan Reconstruction Trust Fund (ARTF), administered by the World Bank, provides a consolidated funding mechanism to permit the Government of Afghanistan to fund projects and programs. USAID has contributed \$147 million to the ARTF, including \$89 million in FY 2004. The ARTF provides a convenient mechanism through which USAID can provide support to the Government of Afghanistan, including direct support to recurrent costs such as salaries and operation of key government buildings, as well as special projects and investment programs. As the ARTF is managed by the World Bank, it meets the U.S. Government's criteria for accounting standards, and allows USAID to closely monitor the use of U.S. taxpayers' funding for support to the Government of Afghanistan.

Challenges: Despite remarkable success in such a short time, much crucial work remains in order to provide Afghans a more stable and productive life and to an antidote for terrorism. Many social and economic indicators continue to be the worst or close to worst in the world. The under-five infant mortality rate is 172 per 1,000 and maternal mortality is 1,600 per 100,000, for a number of reasons, including lack of current medical training and extremely low immunization rates. Infectious diseases continue to constrain the ability of many Afghans to contribute to the rebuilding of their society. Malaria and tuberculosis affect thousands of Afghans each year and Afghanistan is one of five countries that still has the wild polio virus. Not all Afghan children, particularly girls, have access to education. The agriculture sector, which makes up well over 60% of the GDP, is hampered by a lack of market access. The growth of poppies threatens the long-term stability of Afghanistan and undermines the licit economy. Many obstacles to economic investment and growth remain, and unless friendlier private sector rules and regulations are adopted, the country will not be able to keep up its current rate of GDP growth. Afghanistan's limited and ruined infrastructure continues to impede economic growth. The rule of law is inconsistent and local governing bodies employ questionable methods of dealing with crime. NGOs and civil society contribution to the country's growth is significantly less than it could be.

The most important and continuing constraint to USAID programming, as well as private sector investment, is the security situation. The country remains a high threat post and security considerations often conflict with USAID's ability to implement and monitor projects throughout the country. While the security situation is difficult, USAID believes that the Government of Afghanistan and the large majority of the Afghan people appreciate and want USAID to continue its work.

Key Achievements: FY 2004 marks an extraordinary year of progress in Afghanistan. The year opened with the completion of the first layer of paving on the Kabul-Kandahar highway - a highly symbolic link between the north and the south. The year has ended with the inauguration of a democratically-elected President and the installation of a permanent government. USAID's approach to the significant needs of women in Afghanistan is to integrate women into all our programming. Other key achievements include:

1. Re-establish Food Security: This Strategic Objective (SO) has met or exceeded most of its targets this year. During FY 2004, 329 canals and 233 irrigation structures, serving an approximate 310,500 hectares of farmland have been rehabilitated. Farm to market roads totaling 168 km were rehabilitated, exceeding the planned target of 120 km. Construction was completed of 132 multipurpose market centers. These centers serve as collection, cleaning, sorting, and packing facilities for vegetables and fruit and also provide off-farm storage sheds. The consolidation of produce in a common center will attract

more traders to come to the villages and at the same time the farmers will have access to better market information. Over 3 million livestock have been vaccinated against disease, exceeding the target.

Micro-finance loans, totaling 8,400 disbursed, have far exceeded the FY 2004 target of 5,500. Of these loans, 73% were disbursed to women. In addition, pilot air shipments of Afghan grapes to New Delhi and Dubai during the last quarter of 2004 have been very encouraging, indicating market acceptance of Afghan grapes and providing a better price for farmers. Over 550,000 farmers benefited from extension services, exceeding the target of 520,000. The poultry management training program for 25,000 women exceeded its target by about 35%. Four hundred and thirty women participated in the establishment of district cooperative centers. A raisin factory in Kandahar has generated jobs for 102 women. A dehydrated vegetable factory is expected to provide income for 400 farmers, most of whom will be women, and a silkworm production factory in Mazar-i-Sharif will create another 300 jobs for women.

2. Create Conditions for Stability: In education, USAID has expanded the number of provinces with accelerated learning (AL) programs from three to 17, with approximately 170,000 students participating, 55% of whom are girls. Radio-based teacher training (RTT) is now available nationwide via two national broadcasters and in 22 provinces via local radio stations. As of the end of FY 2004, 6,819 accelerated learning teachers had been trained, 40% of whom were women. Eighty schools were built or rehabilitated. USAID reconstructed the National Women's Dormitory which will allow 1,100 women, mostly from rural areas, to attend one of four higher education institutions in Kabul. USAID has also reconstructed women's dormitories in Kandahar and Kunduz.

In health, 9.9 million children under five were vaccinated against polio, as well as five million children between nine months and five years against measles. In addition, 768,000 children under the age of five received direct health services in 240 services sites. Over 1,600 Community Health Workers (CHWs) were trained in treating common childhood illnesses, the importance of immunization, and nutrition screening. Through a network of commercial retailers, 121,665 bottles of Clorin to treat drinking water were sold. A total of 1.1 million women of reproductive age are directly covered through the provision of basic health services in the 13 provinces. Over three million women in 322 districts were immunized during two Maternal and Neonatal Tetanus Campaigns. Over one million condoms, 77,194 cycles of oral contraceptives and 22,094 injectable contraceptives have been sold. Approximately two million women of reproductive age have access to basic reproductive and family planning services in 240 facilities. Approximately 770 female CHWs have been trained to provide reproductive and family planning services, and 1,692 have been trained to distribute condoms, pills and refer couples for family planning/reproductive health counseling.

3. Rehabilitate Afghanistan as a Nation-state: USAID restarted and maintains power supply in the cities of Kandahar, Qalat and Lashkar Gah. USAID also provides fuel to maintain Kabul's existing power supply. Three dams and two irrigation systems have been rehabilitated. With the first layer of paving completed on the Kabul-Kandahar highway, travel time has decreased from as much as a day to six hours.

Afghanistan has made significant progress towards democratic governance. A new Constitution was drafted and ratified. Civic education campaigns targeted women. Over eight million people voted in the Presidential election, of which over 40% were women. Seven courthouses were either constructed or rehabilitated. Approximately 400 lawyers, judges, and other court officials were trained. There are now 31 independent radio and TV stations in the country reaching 7,000,000 people. Eighteen small grants have been given to women-focused Afghan NGOs. In cooperation with the Ministry of Commerce, a women's entrepreneurship training program was established.

In FY 2004, a number of reforms to improve excise tax and customs collection were introduced, including: the reduction of tariff bands from 30 to 5; the use of the official exchange rate in valuing imports; collection of an import duty on petroleum products for the first time; implementation of a single administrative document for imports; introduction of mobile customs units; adoption of the harmonized system for classification of customs goods; implementation of a country-wide brokers training program; and the expansion and rehabilitation of customs posts. New taxes were imposed on rental services and

business receipts. Three state banks were re-licensed; three new local banks opened their doors for business; and four foreign banks began operations in Kabul. Finally, substantial legislation was submitted for enactment, such as the company law and laws for bankruptcy, collateral, commercial paper, dispute resolution, and customs.

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Results Framework

306-001 Re-establish Food Security

SO Level Indicator(s):

Insert SO Level Indicator Here

- 1 Increased On-Farm Productivity
- 2 Increased Access to Credit for Production
- 3 Increased Processing and Marketing Productivity
- 4 Expanded Access to Alternative Livelihoods

306-002 Create Conditions for Stability

- 1 Improved Access to Education
- 2 Improved Access to Basic Public Health Services

306-003 Rehabilitate Afghanistan as a Nation-State

306-004 Program Support

306-XXX Democracy and Governance

SO Level Indicator(s):

Free and fair sub-national elections accepted by all major political entities

National Assembly established and convenes

- 2.1 Build capacity of the formal justice sector
- 2.2 Strengthen elections and political processes
- 2.3 Strengthen institutions for good governance
- 2.4 Increase the presence and performance of the non-governmental sector

306-YYY Economic Growth and Development

SO Level Indicator(s):

A Thriving Economy Led By the Private Sector

- 1.1 Rehabilitate the rural economy
- 1.2 Increase incomes through economic growth
- 1.3 Expand and improve access to economic infrastructure

306-ZZZ Improved Access to Education and Health Services

3.1 Increase access of women and children under the age of five to quality basic health services, especially in the rural and underserved areas

3.2 Increase access of children, youth, and adults to quality teaching and suitable learning environments