



Strengthening the Economy

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PHOTO: PATRICK ANDRADE/IOIM

Metalsmiths work at a factory in Afghanistan. The country's private sector economy must grow and offer people opportunities for reconstruction to succeed.

INDUSTRIAL PARKS

USAID is financing the construction of three industrial parks to stimulate investment and minimize potential business risk to the investors. The provision of a clear marketable title is projected to be a major incentive for attracting investor interest. The status to date is:

- Completed 96% of Bagrami Industrial Park.
- Completed 44% of Kandahar Industrial Park.
- Completed 18% of the Mazar-e Sharif Industrial Park.

OVERVIEW

USAID's economic growth program assists the Government of Afghanistan to design and implement sound economic policy that is sustainable, transparent and predictable. USAID aims to strengthen economic governance in the public sector, building capacity and establishing an environment that enables the private sector to expand and produce jobs and income.

PROGRAMS

FISCAL REFORM

USAID is supporting a number of Ministry of Finance (MoF) programs including the reform of provincial revenue offices, customs clearance procedures, valuation and classification, development of a new customs code, and capacity building for MoF employees. To date, the program has:

- Completed and equipped 6 border posts.
- Trained 110 provincial staff and staffed 38 financial officers.
- Administered 45 different training seminars to 833 MoF employees.
- Enabled customs operations to generate \$150m in Afghan fiscal year 1383 (2004-2005), helping surpass the IMF domestic revenue generation goal.

CENTRAL BANK REFORM

USAID is supporting Da Afghanistan Bank (DAB) reform aimed at building a sound financial system. Thus far, USAID has:

- Provided technical assistance to DAB to develop world-class bank and foreign branch licensing criteria and to process licensing applications, resulting in the entrance of nine new banking organizations and the re-licensing of three state-owned banks under international standards.
- Assisted DAB in creating an interim accounting system and procuring a new international standard banking and accounting system.
- Supported DAB in meeting MoF requirements to consolidate government accounts across all DAB provincial branches, and ensure regular transfers of government revenue to the Treasury Single Account.
- Improved 35 DAB provincial branches by implementing modern, automated payment, account management, and communication systems.

LAND TITLING

USAID is supporting the transfer of clear, marketable ownership title to Afghan citizens in a manner that is efficient and effective. The program has:

- Completed aerial mapping for two pilot districts in Kabul.
- Reorganized five provincial deed offices.
- Registered 3 million deeds.



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Economic Growth (continued)



PHOTO: USAID/ROBERT LOPEZ

At a marketplace, local Afghans exchange the recently introduced afghani currency. USAID has helped introduce and distribute the new currency. Our income generation projects across the country help residents and recently returned refugees earn a viable livelihood for their families.



PHOTO: PATRICK ANDRADE/IOM

In Mazar-e Sharif, Afghans sew fabrics contributing to the country's textile industry. USAID has repaired cotton textile mills to build up the local economy and create jobs for the residents of Mazar-e Sharif.

PRIVATIZATION OF STATE-OWNED ENTERPRISES (SOE)

USAID is supporting privatization of state-owned enterprises as a major prerequisite for a viable market economy. This includes a rapid transfer of state-owned assets to the private sector and the development of both private and public sector institutions and practices that serve as the foundation for a transparent, market-based economy. Achievements to date include:

- Drafted changes to existing SOE laws approved by the Government of Afghanistan.
- Privatized Baghlan Sugar SOE in May 2005, which was liquidated for €15.5 million.

BUSINESS ASSOCIATION STRENGTHENING

USAID is supporting the creation of a business association support network which seeks to build the capacity of the Afghan International Chamber of Commerce (AICC), provincial and local business associations and other civil society groups to provide a sound foundation for policy dialogue, investment promotion, and economic development. The program has:

- Opened AICC branch offices in Kandahar and Jalalabad; established the Afghan Business Council in Dubai.
- Supported the Afghan Builders' Association efforts to increase competency of member construction companies.
- Created and expanded women's business associations that provide training and business development services.

PRIVATE SECTOR

USAID is supporting private sector-led economic growth by creating a venture capital fund and separate loan guarantee program for ex-combatants in order to stimulate local private sector development and create sustainable employment. Activities include:

- Establishing the Afghanistan Renewal Fund, the first venture capital fund in Afghanistan specifically targeting small, medium-sized enterprises.
- Providing technical assistance in business plan development, market research analysis and market entry.
- Establishing the First Loss Reserve Fund, a loan guarantee fund providing participating banks a \$10,000 guarantee for each ex-combatant hired by the loan applicant.
- Improving quality and marketing of products in three sectors: carpets, marble, and dried fruits and nuts.

On behalf of the American people, the U.S. government has provided humanitarian assistance and economic development to those in need around the world since the Marshall Plan.