I. Introduction and Context

Country Context

Afghanistan confronts very difficult social, economic, and political challenges. Since the Soviet invasion in 1979, Afghanistan has been in almost constant conflict for over 35 years. Despite significant economic growth and improvements in access to services since the fall of the Taliban in 2001, socio-economic outcomes remain very poor, even when compared to other fragile, low income, or South Asian countries. The poverty rate stagnated at 36 percent, and inequality increased, from 2008 to 2012 (World Bank 2015). Afghanistan also has substantial vulnerability to poverty with very high prevalence of economic shocks and nearly half of the population falling within twice the poverty line. Some progress has been made in improving human capital, but Afghanistan remains among the poorest performing countries in the world on this front. Adult literacy, for example, stands at only 31 percent, and at 17 percent for women. The combination of declining foreign aid, weak private sector growth, low human capital, and (in the case of women) social constraints renders high shares of the adult population unemployed, vulnerably employed, and (in the case of women) out of the labor force.

Widespread gender disparities exacerbate Afghanistan's precarious position. Afghanistan ranks last of 161 countries in UNDP's Gender Development Index (2014), a composite measure of gender gaps in human development outcomes. The country has one of the world's lowest rates of female labor force participation at 19 percent (though measurement problems might contribute to some underestimation) (World Development Indicators). Of the women participating in the labor market, only 25 percent are engaged in paid-employment, almost exclusively in the informal sector. In general, households rely on female employment as a last resort. Beyond labor markets, women are significantly disadvantaged in other dimensions of economic empowerment. Only three percent of Afghan women (vs. 15 percent of men), for instance, have accounts with formal financial institutions (Global FINDEX 2011). Women also tend to lack voice in household spending. Even
for food purchases, in 89 percent of households, women say the decisions are made mainly by men (NRVA 2007/8).

Women's economic empowerment has important implications for social inclusion and poverty reduction. As the 2013 World Development Report on Jobs illustrated, even basic employment and income-generation can have intrinsic value, increasing women's self-esteem, sense of dignity, and social cohesion. However, women's economic exclusion also omits an important source of potential income, which could contribute to overall household consumption and risk mitigation. Further, international evidence suggests that women tend to spend more of their income on food consumption and human capital investments in children. This, in turn, supports long-term economic growth and poverty reduction. In these respects, a focus on women's economic empowerment is not only good for women; it is important for Afghanistan's development prospects.

Sectoral and Institutional Context

The Government of Afghanistan is advancing a number of reforms as national priority programs, one of which focuses on women's economic empowerment. The new priority program aims to help Afghan women experience measurable improvement in participation in employment, self-employment and market access, and exercising greater control over productive assets and incomes. Given Afghan women's substantially greater entry points especially among the poor to informal and self-employment and micro-enterprise, versus formal wage jobs, the priority program relies heavily on actions to boost women's opportunities for income-generation in these areas. Key results pillars, for example, focus on financial inclusion; access to business supports; access to agricultural inputs, extension, and markets; and creative industries. The priority program builds on previous government-led initiatives to expand women's economic empowerment, including the gender elements of the Afghanistan Compact, the 2008-18 National Action Plan for the Women of Afghanistan (NAPWA), and the 2008 Afghanistan National Development Strategy (ANDS). The priority program currently provides an emerging framework for action, but the interventions are still under consideration. Hence the demand for this proposed project to pilot interventions with potential for scale-up in the context of the priority program.

Existing schemes offer potential complementarities and lessons for new interventions promoting women's economic empowerment. While there currently is no national government scheme whose primary purpose is women's economic empowerment, there are schemes that have gender-specific design features with important implications for women's economic empowerment. The Afghanistan Rural Enterprise Development Program (AREDP), implemented by the Ministry of Rural Rehabilitation and Development (MRRD) across five provinces, aims to improve rural employment opportunities and sustainability of local enterprises. The program has included activities to support women's savings groups in forming and joining village savings and loans associations (VSLAs) for financial intermediation, associating through entrepreneurship groups, and accessing technical expertise and markets.

The National Horticulture and Livestock Project (NHLP) has supported more than 34,000 women in establishing kitchen garden production units, generating additional income for their families, and providing a good source for nutrient-rich foods for home consumption. Additionally, the National Solidarity Program (NSP), implemented by MRRD, supports community-driven development, including the establishment of Community Development Councils (CDCs) that decide on how to spend funds allocated from the national government to meet local development needs. CDCs
include gender quotas, and the program has demonstrated positive results for increasing female participation in some economic, social, and political activities, including increased income generation (Beath et al., 2013). The emerging Citizen's Charter National Priority Program represents an evolution of NSP, with an increased mandate of CDCs to lead local development and opportunity for women to play an instrument role in shaping service delivery.

Through AERDP, NGO efforts, and self-organization, community-based savings groups have emerged in several parts of the country. Especially for women, these are important sources of grouping (often 8-10 members) for women to come together among peers, save small amounts of money, and lend to each other for various needs. They often function as an informal social safety net, with members borrowing small amounts, for example, to cope with a health or livelihood shock to the household. In Afghanistan, as in other countries, these savings groups have a good repayment record because of the strong social accountability involved in borrowing from peers' own money. However, by themselves, savings groups are insufficient to fully support women's economic empowerment because members--especially poor women--generally lack enough cash for the group to invest in high productivity activities. Furthermore, savings groups often lack quality and consistent access to training, information, and markets to support their productive activities, and women in savings groups also lack a broader platform beyond small groups to collectively address social constraints to economic empowerment at the community level. Other countries in the region, such as India and Pakistan, have begun to address these limitations by 'clustering' or 'federating' of small women's savings groups into coordinated, community-level platforms supported by local organizations and government assistance. This proposal aims to pilot an Afghan-specific model of such clustering with the potential for sustainability and scalability under the Government's emerging women's economic empowerment national priority program.

**Relationship to CAS/CPS/CPF**

This task supports the World Bank's strategy in Afghanistan. The current Afghanistan Interim Strategy Note (ISN) 2012-2014 gives specific emphasis to the importance of promoting women's economic empowerment. The strategy includes ambitions to increase the focus on gender—both operational and analytical—in the country portfolio. Applying a gender lens to other strategic objectives outlined in the note, the proposed project also presents opportunities to facilitate more equitable service delivery (by creating community-based platforms for reaching women) and more inclusive growth and jobs (by increasing women's supports and opportunities for participating in income-generating activities).

**II. Project Development Objective(s)**

**Proposed Development Objective(s)**

The project development objective is to increase women's participation in business support services and income-generating activities in pilot areas of Afghanistan.

**Key Results**
(i) Share of direct beneficiaries participating in new income-generating activities, including activities at higher levels of value chains, after participating in the project (disaggregated by gender)

(ii) Percentage increase in average annual earnings among direct beneficiaries (disaggregated by gender)

(iii) Number of beneficiaries directly receiving business support services including training, business development assistance, and/or access to liquidity (disaggregated by gender)

(iv) Number of Clusters that have produced development plans and are operational for at least 16 months of the project period (disaggregated by women's and men's Clusters)

(v) Percentage increase in amount of savings held by community-based savings groups in project communities (disaggregated by women's and men's groups)

(vi) Share of project beneficiaries that feel the project is responsive to their needs (core indicator on civic engagement)

III. Preliminary Description

Concept Description
The project will pilot innovative CDC-level platforms and interventions tailored to the local Afghan context for promoting women's economic empowerment. The pilots--to be implemented over a three-year period--include an emphasis on local participation, sustainability, and contributing to the development and success of the Government of Afghanistan's emerging national priority program on women's economic empowerment. The project proposes to implement pilots in select districts of four provinces (Badakhshan, Bamyan, Takhar, and Nangarhar).

Importantly, consultations and Implementing Agency experience indicate that, in many areas of Afghanistan, investments in women's platforms and economic opportunities would only be accepted by men in the community if some level of investment is made in the same for men. As such, while the below components emphasize women's economic empowerment, a smaller portion (up to 30 percent) of grant funding will be devoted to supporting men-only platforms (Clusters) and related services. The interventions targeting men would naturally benefit men and their families in impoverished communities, but the primary aim is to foster a more enabling environment for interventions to benefit women's economic empowerment. The results indicators, targets, and evaluations will disaggregate by gender.

Component 1: Formation of Cluster platforms for economic empowerment (0.31 million USD). Under this component, the project will finance the development and implementation of Clusters of community-based saving groups as platforms at the CDC level for impoverished women's economic and social empowerment, with a focus on income-generating activities in rural and peri-urban areas. Clusters will be gender-specific platforms (women-only or men-only) given cultural constraints and the need for gender-specific supports. Activities will include (A) selection, training, and support of community facilitators who will work with communities to form Clusters and provide ongoing assistance and capacity-building to the Clusters themselves; and (B) formation, support, and capacity-building of Clusters--including (i) participatory local vulnerability and poverty assessments to ensure that the most vulnerable women are identified and emphasized in targeting and outreach, community mobilization, engagement of local stakeholders and CDCs (with a strong focus on
engaging men and local elders to foster a more enabling environment for women's economic empowerment), and initial assistance to the Cluster to build capacity for functioning, inclusiveness, and formation of a development plan (outlining opportunities, priorities, actions, and needs for the Cluster's economic empowerment); (ii) helping members form into entrepreneurship/producer groups consistent with their individual preferences and group development plans for more targeted business support and cooperation; and (iii) ongoing support and capacity-building of the Clusters to serve as effective local platforms for economic empowerment of the poor.

The overarching innovation and focus of this component is to create an effective, replicable, and community-owned platform--through the Clusters--at the CDC level for women to gain stronger opportunities and supports to engage in income-generating activities and access services. No such platform currently exists in these communities. As observed in other countries (such as with SEWA self-help groups in India or PEKKA women's groups in Indonesia), creating such community platforms for impoverished women can have positive effects that extend beyond income-generation. Additional benefits include stronger social networks, increased local voice and political participation, better access to services, and a heightened sense of dignity and respect in the community and the household. Where existing business support services and training exist, the Clusters will serve as a platform to link women with existing programs (e.g., through AREDP, HNLP, or other NGO interventions) rather than duplicate existing services. In most areas of the country, however, including those covered under this pilot, adequate women-friendly interventions for business support services and access to finance are lacking.

Component 2: Community-based business centers, training, and market access (1.10 million USD). This component will pilot the delivery of sustainable business support services to Clusters. While many poor women possess basic skills that can support livelihoods and the motivation to generate income from their work and start businesses, they generally lack the knowledge, support, and connections to actualize their economic empowerment. Under this component, activities will include (A) design and delivery of demand- and market-driven training modules including both hard and soft skills, with an emphasis on skills required for supporting group empowerment and income-generating activity--e.g., literacy, leadership, business development, financial literacy, budget management, and vocation/trade-specific skills. Training and business support services will be informed by local market assessments with a gender lens to identify viable options for women's income-generating activities.; (B) establishment of CDC-level business centers operated by trained local women para-professionals operating out of CDCs or community members' homes on a part-time basis to offer ongoing guidance and business support to Cluster members; and (C) NGO-led efforts to identify and facilitate purchasing and export partnerships on behalf of local women producers.

Component 3: Increasing access to finance (1.07 million USD). A challenge for women's savings groups alone is that poor women often lack sufficient cash to save and lend for enabling productive income-generating activities. Additionally, microfinance institutions can be complicated to establish and difficult for many poor women to access. This component will pilot a model to address poor women's liquidity constraints to productive income-generating activities by (A) enabling Clusters to access seed grants for establishing Cluster-owned sharia-compliant revolving funds to support Cluster members' proposals for productive activities (e.g., financing productive inputs or additional skillling); and (B) providing capacity-building to Clusters to develop a level of maturity required to access and effectively manage revolving funds, including ensuring that access is inclusive of poor and vulnerable women. The Clusters will also promote more and stronger community-based savings
groups linked to Clusters as a modality to increase women's savings and access to finance.

Component 4: Project management, monitoring and evaluation, knowledge dissemination (0.27 million USD). This component serves to ensure high-quality implementation of the aforementioned pilots, generation of new evidence, and support for knowledge transfer to inform policy and practice on women's economic empowerment. Subcomponents shall include (A) project management--comprised of a project manager, procurement specialist, financial management specialist, implementation completion report, annual audits, and operating costs; (B) monitoring and evaluation--comprised of baseline and final evaluation surveys, training for participatory monitoring by beneficiaries, a monitoring and evaluation specialist consultant, and final impact evaluation analysis and reporting; and (C) knowledge dissemination--including a knowledge management specialist and at least two knowledge sharing events (one in Afghanistan and one in Washington, D.C.).

Notably, the aforementioned activities proposed to be financed by a Japanese Social Development Fund (JSDF) grant would be complemented by an awarded 700,000 USD grant from the World Bank Jobs Multi-Donor Trust Fund to pilot additional interventions focused specifically on women's engagement in select value-chains. This Bank-executed technical assistance (Promoting Women's Livelihoods & Opportunities in Select Value Chains (P159738)) will involve in-depth gender-sensitive value-chain diagnostics, development of innovative partnerships and market linkages with buyers in those value-chains, and interventions to increase women producers' access to information and capacity to meet buyer standards and increase their productivity and earnings potential. The activities under this technical assistance are expected to target a small subset of the Clusters funded by JSDF for enhanced support for economic empowerment.

IV. Safeguard Policies that Might Apply

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V. Financing (in USD Million)

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