



USAID
FROM THE AMERICAN PEOPLE

Five Years of Private Sector Development in Afghanistan



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CONTENTS

Introduction	1
Private Sector Leading the Way	3
Building Up Broken Value Chains	4
Remaining Flexible in a Challenging Environment.	6
ASMED Accomplishments (2006–2011)	8

FEATURE ARTICLE

Hard Rock in Afghanistan.	9
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SUCCESS STORIES

Carp Hatchery Supports Fish Farmers	12
Firm Sticks with Tomato Paste	13
Honey Money: Sweet Success.	14
Making Dough	15
Plastic Recycling Boosts Employment.	16
Sweet Deal for Afghan Juice Factory	17
Sweet Success	18
Taken with a Grain of Salt	19
Shop Keepers Rebuild After Destruction.	20
Internship Programs Lead to Permanent Jobs	21
Linking Afghan Carpet Makers to the World	22
Covering Demand	23
Laptops Create Classrooms of the Future	24
Powering Villages	25
Gemstones Shine in Afghanistan	26
Maximizing Afghanistan's Natural Resources	27
Parts Keep Machines Running	28



Introduction

USAID's Afghanistan Small and Medium Enterprise Development (ASMED) program began in 2006 with the goal of developing a thriving economy led by the private sector. Without the benefit of lessons learned at that time from Afghanistan's internal conflicts, tribal and ethnic divides, and poor human capacity development, USAID supported a technical approach that tested various strategies and mechanisms for supporting small and medium enterprises and increasing income-earning opportunities for Afghans. Working closely with the contractor to identify the most high-impact, cost-effective means of achieving results, USAID was able to achieve remarkable successes and subsequently expanded ASMED nationwide into a five-and-a-half year, \$114 million program.

ASMED's impact ranged from large-scale accomplishments, such as establishing new processes in key industries, to firm- and individual-level successes, such as assisting entrepreneurs with business start-ups and helping college graduates secure employment. Over the life of the program, ASMED supported more than 11,000 businesses and helped create almost 1,300 new enterprises, leveraging \$94 million in new investments through Global Development Alliances and creating more than 100,000 full-time equivalent jobs. Many one-off projects were undertaken quickly and effectively, such as the reconstruction of a shopping center that had been destroyed in a Taliban attack on Kabul.

We are pleased to highlight some examples of what USAID, in close collaboration with our Afghan partners, was able to achieve in promoting private sector development. Significant achievements include programmatic results ranging from the creation of new enterprises, jobs, and improvements in strategic value chains to special activities that supported U.S.

Government objectives by leveraging other donor funding, forming partnerships with the Government of the Islamic Republic of Afghanistan (GIROA) to support the private sector, and the implementation of the Counter Insurgency (COIN) strategy. It also presents some of the key benchmarks USAID was able to establish for program performance in economic growth activities.

Lasting peace and stability will ultimately hinge on the development of a thriving, licit economy within which Afghans can find opportunities for employment and generate sufficient incomes to support a rising standard of living. Even in the context of conflict, lack of infrastructure, and low human capacity development that characterizes many areas of the country, ASMED's performance between 2006 and 2012 clearly demonstrates that it is possible to achieve significant progress in enterprise growth and employment creation in more formal sectors of the Afghan economy.





Private Sector Leading the Way

With the overarching goal of developing a thriving, licit economy led by the private sector, USAID's Afghanistan Small and Medium Enterprise Development (ASMED) project focused primarily on supporting the establishment and growth of small and medium enterprises, which serve as the major drivers of Afghanistan's economic development. Through support for investment, technology transfer, and a wide range of business development services, USAID improved private-sector productivity to expand the number of flourishing firms and increase employment opportunities in Afghanistan. In addition, capacity-building efforts developed skilled labor for both business management and specialized trades within key value chains while enabling Afghans from many different backgrounds to secure jobs. The initial plan emphasized the importance of "maintaining a focus on enabling, rather than directing, the growth of the private sector."

Toward this end, the approach taken by USAID included providing assistance to entrepreneurs on a competitive basis. Requests for assistance were solicited from entrepreneurs, business service organizations, and associations. The opportunity for this assistance and the requirements of eligibility were widely known through presentations and the circulation of applications through both ASMED regional offices and a network of partners. A seven-member committee—composed of expatriate and national staff members—evaluated the applications for business viability, including the presence of an accessible market, the applicant's relevant experience or skills and commitment, and the potential of each idea to create new jobs. By supporting the business plans of Afghan entrepreneurs, USAID was able to obtain much-needed buy-in from local communities.

The project offered technical assistance, training, and in-kind grants; supported access to market information; improved locally available business development services; supported business associations; and built human capacity. Of the various approaches tried, some performed beyond initial expectations and were expanded, such as support focused on filling gaps in value chains and capacity building.

Global Development Alliances supported several successful initiatives from medium-sized business startups, such as the Yasmin ARA insulated sandwich panel factory, to initiatives that benefited the poorest of the poor, such as the development of a micro-hydro power turbine to serve communities in areas with slow-moving water; a turbine now produced in Afghan machine shops.

Internship programs delivered business skills training, helping both university and high school graduates to get jobs while supplying businesses with management, accounting, and business operations skills that were lacking in the job market. At the same time, the development of business service providers helped USAID expand its reach through outsourcing of technical assistance, training, and the monitoring of program activities.



Building Up Broken Value Chains



In assessing a number of sectors, it became clear that to create growth on a larger scale, USAID's efforts should support the development of complete value chains. Examples of other donor-funded business assistance activities had demonstrated that businesses often failed due to their inability to reach markets, a lack of suppliers of inputs and services, and the absence of players in the market to take the product through all of the value-adding steps of processing or manufacturing that would allow products to be sold at a profit. Weak value chains contributed to poor performance in sectors of the economy that held significant promise—including carpet production, which had been historically competitive, and marble and gemstones.

Targeted grant assistance and Global Development Alliances allowed enterprises to fill critical gaps in fractured value chains. The ASMED project helped entrepreneurs boost their productivity with the introduction of new technologies, equipment and skills. Examples of such achievements include the adoption of blast-free mining and improved marble-cutting techniques; the establishment of carpet cut-and-wash facilities that enabled Afghans to export finished carpets; and training of gemstone cutters to export cut-and-polished stones. These improved and finished products can be sold at a much higher rate than the fractured stone blocks, uncut carpets, and rough stones that were previously sold by Afghan firms.

Supporting key businesses in these value chains to supply important materials or services to their sectors enabled many more partners to pursue new areas of production, increasing both sales and profitability while expanding their workforces. Sector-specific skills training supplied the carpet, marble, and gemstone industries with the skilled operators required for marble quarrying, carpet design, and gemstone identification and cutting, creating additional value while enabling trainees to secure gainful employment.

ASMED identified packaging and food safety as critical missing elements in the food processing industry. Assistance in the startup of cardboard box and fruit packaging material firms enabled producers and brokers to source

locally produced packaging, which was more cost effective and reliable than imported boxes. ASMED also supported the training of certified food safety and quality control advisors to support food processors and producers of manufactured goods.

Producing a finished product meant that Afghan businesses now had to find new buyers. Selling unfinished carpets to Pakistani brokers was not highly profitable, nor did it give Afghan weavers any insight into customer preferences. In the gemstone sector, most of the rough stones mined in Afghanistan were being smuggled out of the country due to a prohibition on the export of rough stones and the lack of cutting and polishing capacity. Without a direct feedback loop from cutters and buyers, Afghan traders understood little about the value the stones had lost from being blast-mined, which fractured otherwise valuable stones and reduced the yield of high-quality gems that could be cut from them. USAID facilitated the development of internal and external market linkages for enterprises by providing market research, training, and assistance for participation in domestic and international trade fairs.

Beyond helping firms find new buyers and make sales, this component of the ASMED project helped businesses communicate directly with buyers and gain a better understanding of demand and quality. Attending industry tradeshows also exposed Afghan firms to new technologies, equipment suppliers, and other service providers eager to form partnerships. One such partnership was established between Confindustria Marmomacchine, the Italian marble equipment association, and the Afghanistan Marble Industry Association.

Over time, this relationship allowed Afghan firms to visit Italian quarries and understand advanced quarry operation and extraction techniques, to purchase equipment with advantageous financing terms, and to obtain training in advanced techniques from highly skilled machine operators. Benefits spread throughout the industry when Afghan quarry operator Equity Capital Mining purchased equipment from Confindustria Marmomacchine, with the support of an ASMED GDA, and Marmomacchine delivered training in advanced marble extraction techniques on Equity Capital Mining's site for 30 quarry operators from all over Afghanistan.



Remaining Flexible in a Challenging Environment

The ASMED project was a complex, wide-ranging, and ambitious program considering Afghanistan's challenging business environment, and as such was required to adopt a flexible approach to achieving objectives. USAID, and project implementer DAI, adjusted program components over time in response to external pressures, new opportunities and lessons learned. While this book presents some highlights of the project's achievements, the value of the ASMED project extended beyond its immediate impact on enterprise and job creation. The design and management of the project emphasized flexibility and left some programming open to take advantage of opportunities, allowing the project to serve as a rapid response mechanism through which USAID could address urgent issues or support assistance requests from other U.S. Government partners. ASMED also set several benchmarks for program performance in private sector assistance in Afghanistan.

Typifying the project's flexibility and ability to serve as a rapid response mechanism, USAID was able to assist the U.S. Government in the reconstruction the Ferosgha-e-Buzurge shopping center after it was destroyed in an

insurgent attack in Kabul and help 80 shopkeepers to get back on their feet. USAID implemented several other business-related assessments, training activities, business-to-business events, and in-kind grant activities in support of U.S. Provincial Reconstruction Teams and COIN efforts in unstable areas. At the request of the Afghan Minister of Commerce and Industry, USAID also developed a small and medium enterprise strategy that became the basis of the ministry's private sector support program. In the final year of the program, the Ministry of Mines requested U.S. Government support in the area of geoscience exploration. ASMED was able to serve as the delivery mechanism, implementing a \$2 million program to support the Ministry of Mines and begin laying the groundwork for future private sector participation in the mining sector. In years three–five of the project, ASMED fielded more than 20 of these kinds of special requests.

A further shift in focus was required from October 2010 onward when USAID was asked to implement economic growth activities in a minimum of 25 Key Terrain Districts (KTD), areas suffering from instability and weak physical and economic infrastructure, in support of the U.S. Government's COIN strategy. Satisfying this new direction was the equivalent of designing and implementing a new \$25 million project for one year, running in parallel with ASMED's core activities.

Through the implementation of ASMED, USAID was able to establish several important benchmarks for the implementation of future programs. ASMED's diverse portfolio of technical components coupled with trials of different approaches to generate growth and employment answered many questions relevant to aid effectiveness in the private sector:

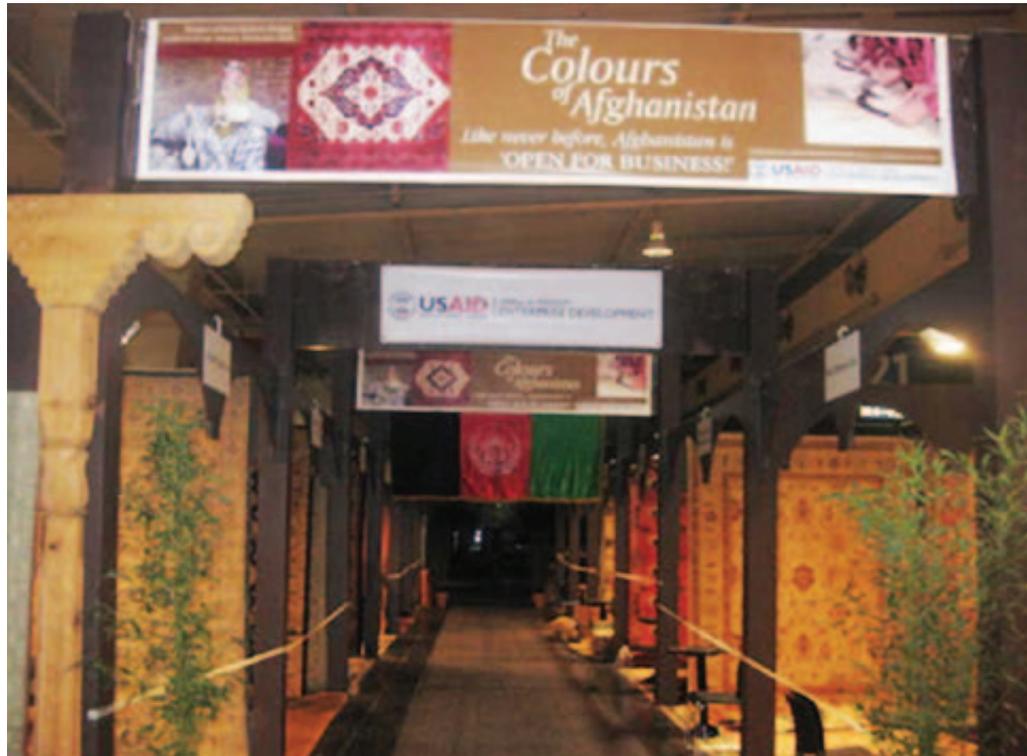
Foremost among these questions during the design of ASMED were: Are Afghanistan's entrepreneurs ready for the challenge of investing in new businesses given such a high-risk environment? How much would it cost to create jobs given Afghani-



stan's relative isolation, the high cost of importing equipment and materials, and the additional costs of security needed to support program activities? Would it be possible to develop the private sector in areas that had not yet achieved stability?

Initially, the Office of Economic Growth (OEG) set a target of 1:2 for the disbursement of enterprise support GDAs. GDA partners would have to contribute \$2 for every aid dollar toward the cost of starting up a new venture. Ultimately, ASMED was able to achieve a leverage ratio of 1:6.4. Within ASMED's grant portfolio, used to fund in-kind acquisitions from what were often very small companies, ASMED was still able to obtain a minimum 60 percent contribution from partners.

ASMED established as an internal guideline for its grant and GDA committee, benchmarks for cost per job created when reviewing applications. Excluding ASMED's operational costs, these averaged between \$800 per job in relatively stable areas with adequate infrastructure and \$1,300 per job in unstable areas with very poor or no infrastructure. OEG has reviewed nongovernmental organization proposals, often of



programs partially or previously funded by other donors, where the per-job-created cost (excluding operational costs) was as high as \$8,000.

For grants, GDAs or requests for an activity from partners, ASMED's benchmark response time from receipt of an application or request to an executed agreement or purchase order was two months. Weekly review committee meetings and a well-organized system for tracking and securing the required approvals made turnaround time on ASMED among the fastest in Afghanistan, with other donors often taking six months or longer to review and approve activities in the economic growth sector. As a result, ASMED was the first choice among entrepreneurs for obtaining assistance despite the program's often higher contribution requirements.

USAID's experience with ASMED confirmed that Afghans are confident enough to invest in ventures despite the prevailing business, security, and political risks, and that private sector development in areas of instability was possible, although at a higher cost per SME assisted or job created. It also demonstrated the utility of designing flexible programs and setting aside some unprogrammed funding within such contract vehicles to enable USAID to respond to opportunities and challenges that arise within the course of implementation.



ASMED Accomplishments (2006–2012)

- Created 101,533 full-time equivalent jobs since late 2006.
- Supported 11,660 Afghan businesses and facilitated access to bank loans and equity for 256 of those companies.
- Supported 50 business service provider firms with capacity building and new product development, leading to a 118 percent increase in the number of clients they have.
- Supported 402 business associations (116 of them run or owned by women) with grants for equipment, capacity building, and improving member services.
- Launched 57 Global Development Alliances, leveraging more than \$94 million from private partners.
- Provided 261 small grants totaling \$9.27 million for marketplace development, value chain improvement, association capacity building, human capacity development, and economic development.
- Established an internship program benefitting 2,226 university students (22 percent women), approximately



- 75 percent of whom have received full-time employment offers from their host companies.
- Graduated 816 trainees (390 women) from sector-specific skills training in gemstone cutting and polishing, jewelry design, colored gemstone identification, computer-assisted carpet design, construction management, electrification, computer-aided design for engineers, and food safety and quality control.
- Conducted or sponsored 23 market assessments and widely disseminated results to share information about business development and investment opportunities.
- Facilitated the sale of more than \$49 million in Afghan products at national and international tradeshows.
- Provided more than 450 small businesses with business skills training sessions in Key Terrain Districts throughout the country, coupled with business to business events to introduce them to potential clients. As a result, at least 37 contracts with a total value of \$39 million were won by small and medium enterprises that attended the trainings.

Hard Rock in Afghanistan

Home to an estimated 400,000 people, the city of Herat lies on the ancient trade routes of the Middle East and Central and South Asia—just 50 miles from the Iranian border. The province bearing the same name is the largest and most significant urban area in western Afghanistan.

Mining has occurred throughout Afghanistan for thousands of years. More than 60 known deposits of valuable stone are found nationwide, representing 35 varieties in more than 40 colors, including fine-grained white marbles.

The Herat region boasts many of the country's largest and best-quality marble quarries. In a country struggling with widespread unemployment and poverty, the marble sector has the potential to generate thousands of jobs and millions of dollars of revenue for the region.

Yet, despite these significant mineral deposits, the mining sector has been unable to meet even domestic demand,

let alone the significantly larger demand from international markets.

Getting marble to market is costly and difficult. Every stage of the process is fraught with challenges, from extraction and processing to distribution. Outdated methods increase the dangers to employees and waste valuable stone. Today, Afghan marble is still often quarried through dynamite blasting, which not only destroys some material immediately and diminishes its value by reducing stone size, but also fractures the quarried stone, leading to breakage during cutting and polishing.

Despite road improvements throughout Afghanistan, much of it carried out by USAID in cooperation with the Government of the Islamic Republic of Afghanistan, the condition of many rural routes continues to impede the transportation of raw materials to processing plants and hinders the processor's ability to get the finished product to market. Many roads are unpaved and are washed away, or become impassable, in winter. This, in turn, places great stress on trucks, making transportation the largest cost in exporting Afghan marble, and reducing its competitiveness.





Producing and exporting finished products would slash costs; raw marble blocks weigh at least 35 percent more than processed material. But currently, the majority of Herat's premium quality marble is exported in heavy blocks rather than processed slabs or tiles. Even when the stone is processed, it is typically done with obsolete technology yielding low-quality finished products that do not meet the needs of international buyers.

Security issues, in the form of criminal activity and the threat of insurgent attacks, can be another obstacle, affecting the quantity of marble extracted and the ease and likelihood of getting it from quarry to market. Drivers reported being regularly robbed or asked for *baksheesh*, mandatory tips for the use of the road, but it is unclear if these bribes were paid to criminal gangs, insurgents or corrupt officials.

USAID/Afghanistan's Farid Ahmad Barkzai noted that "with all the challenges facing Afghanistan's mining industry, it was clear the full cooperation of the private sector, local communities and international donors is required to take full advantage of Afghanistan's natural resources."

Rival to the Pantheon

Prior to returning to his homeland to invest in the mining sector, Mohammad Nasim Doost, together with his brother Adam, accumulated over 30 years of experience mining amethyst and garnet in Brazil and Zambia. Upon his return in 2006 Nasim established Equity Capital Mining and began receiving USAID private sector development support in 2009. "We have invested heavily in the marble quarry and processing factory in Herat, as we identified a need for private-sector investment that would eventually lead the country toward prosperity," explained Nasim.

USAID recognized the need to help Doost and other producers introduce modern mining techniques at each stage of production. The idea was, said Farid Barkzai of USAID, that modernizing and expanding marble quarry extraction and processing could create a sustainable marble industry in western Afghanistan, economically benefitting the entire region. To this end, USAID and other international donors began working with Equity, which had access to more than a million tons of top-quality Chesht white marble. Chesht is in high demand in the Middle East and Central and South Asia, where it is seen as being on par with the famous Italian Carrara marble used to construct the Pantheon and Trajan's Column in Rome. Bordering Herat province directly to the north, Turkmenistan in particular has become a valuable customer of Herat processed marble, owing to the government's determination to construct modern city buildings using high quality white marble. Through a Global Development Alliance project, USAID helped Equity purchase modern, diamond-wire chainsaws to improve efficiency and increase output, while also raising the quality of cut marble to international standards. Private Afghan enterprises play a significant role in the process, helping to identify problems and solutions and ultimately sharing the risks and rewards. The Global Development Alliance is a USAID-sponsored, public-private partnership that brings together the resources of multiple actors to spark economic development.

No Single Actor

"This innovative partnership enables alliance members, including corporations, local business groups, and non-governmental organizations, to address jointly defined challenges in the mining sector," said USAID's Barkzai, adding: "Through this multi-stakeholder approach, the

mining sector has begun to tackle issues and achieve solutions no single actor could handle alone.”

When USAID began supporting the mining sector and working with Nasim Doost’s company, there were only a few quarries using diamond wire cutting. Following a number of international tradeshows, marble conferences, and technical workshops supported by USAID, most quarries in Herat province have now converted from the traditional blasting techniques to using diamond wire cutting technology.

An estimated 4,000 new jobs in marble processing alone are expected over the next five years as the mining industry develops throughout Herat province. Employment in remote areas will rise as on-site safety improves with the decrease in blasting and the use of more sophisticated extraction techniques. This change will likely result in more skilled jobs at both the quarry and the processing plant, boosting communities through increased employment.

Despite the many challenges, Doost seems confident the Afghan marble industry will continue to grow, and said he already has seen mining activities benefit the western provinces. “When I opened my quarry six years ago, there were only two local processing plants. Now there are over 30 companies, employing people from the local communities.”

Following USAID support to mining extraction operations in Chesht-e-Sharif and Nangarhar, USAID began working with additional partners in the processing stage to develop a sustainable mining sector in Afghanistan. The Chesht Marble Processing Plant, also owned by the Doost brothers, purchases all its marble for processing from the Equity Capital Mining quarry. Starting in 2009 USAID and other donors supported this private company to establish a processing plant capable of producing export-grade marble, allowing them to supply high-quality, value-added products to top-tier markets willing to pay a premium price for Afghan marble.

The Chesht Marble Processing Plant has become a model for other processors, and represents a major step forward for the marble sector. Not only has it improved the reputation of Afghan marble on the foreign market, but it also has directly created 50 new full-time jobs and continues to encourage further foreign investment in the mining sector.

Jim Hogan, vice president of Carrara Marble of America, praised the advances of the Afghan marble sector during the past three years and the international demand that has been created. “Afghanistan is in a very positive position if they can start filling the gap between orders and production.”

As the private sector continues to invest in knowledge and equipment to improve quarrying and processing activities, Afghanistan is set to follow the example of other marble-producing countries and become a provider of high-quality, value-added marble products to the world market. Governor Saba of Herat province commended USAID’s role in assisting the mining sector, and expressed hope “the international community continues their commitment in helping to expand the marble sector in Herat. Support for the quarries and local communities will make Herat an important world supplier of Chesht marble.”



The project garnered praise from the highest echelons of Afghan government as an important current and future driver of growth in a country whose economy has been decimated by decades of conflict.

Said Minister Waheedullah Shahrani speaking at the annual Herat Marble Conference supported by USAID “the achievements accomplished by the Ministry of Mines over the past year have increased the international importance of the marble sector in Afghanistan. Focus should remain on this part of mining because of the shorter timeframe to create jobs and income compared to the other natural resources in Afghanistan. It has been estimated that over \$200 billion worth of marble resources are available for development.”

Carp Hatchery Supports Fish Farmers

Fish producer associations in Nangarhar and Laghman provinces, and fish farmers from other parts of Afghanistan, are purchasing fingerlings from the hatchery.

In 2010, a fish hatchery in Jalalabad produced 70,000 carp fingerlings, or juvenile fish. In just one year, that same hatchery boosted its production to nearly 850,000 fingerlings with the help of a grant provided by USAID.

“I’m happy and pleased with USAID’s support, and am confident about the future of our hatchery,” said Haji Ghulam, the owner of the Rahmat Insaf Fish Hatchery.

Well-run fish hatcheries are key components of sophisticated value chains for fish production. Hatcheries produce fingerlings, or juvenile fish, which are one of the main inputs required by fish farmers. The availability of fingerlings is a primary constraint on the broader development of fish farming. Until recently, fish farmers in most parts of Afghanistan depended on supplies of fingerlings transported from Pakistan, a long journey that resulted in considerable losses, leaving surviving fish weak and unlikely to survive. The fingerlings were only available at a high cost to farmers, and often they received poor quality fingerlings that were rejected by the Pakistani market. This low-quality supply posed a major obstacle to developing the 180 fish farms of eastern Afghanistan.

With support from USAID, the Rahmat Insaf Fish Hatchery now produces fingerlings for sale to local fish farmers. Through a value chain improvement grant, USAID improved the quantity, efficiency, and quality of the water supply, and provided technical assistance to improve hatchery management practices. The hatchery worked closely with an aquaculture expert, Dr. John Hargreaves, to improve techniques and management of the spawning process. The hatchery’s water supply was also modified to treat incoming water in a settling basin and to heat water in rooftop tanks, which improves the survival rates of fingerlings and the overall health of their fish stocks.

With this support, the hatchery now produces more fingerlings than ever. A solar power system was also installed to power the water pumping system, which could save the hatchery up to \$12,000 annually.

With improvements to the ponds at the Rahmat Insaf Fish Hatchery provided by USAID, further increases in the production and survival rates are expected in the coming seasons.

The hatchery is now poised to play an important role supporting the expansion of the fish farming sector in eastern Afghanistan by providing the fingerlings, as well by providing technical information on best practices to farmers, further improving the potential to enhance rural livelihoods through fish farming.



Firm Sticks with Tomato Paste

USAID's public-private partnerships assist new private firms to significantly boost their capacity and become thriving agents for economic growth in Afghanistan.

Over the years, Sadat Tomato Paste Company in Mazar-i Sharif had found some success in Afghanistan producing tomato paste, but its growth as a business was stagnant due to old machinery and equipment, poor storage facilities for raw materials, and a lack of a financial management system to keep track of costs and revenue. Though demand for its product in northern Afghanistan was substantial, Sadat simply could not produce.

Agriculture employs most of the Afghan population in rural areas—and tomatoes happen to be one of the products that Afghans produce in very high quality. The tomatoes are mostly consumed fresh, or dried for future consumption. But there are only a few cold storage facilities that can keep the seasonal product fresh for future consumption.

Sadat became a prime candidate to address this issue. So, through the assistance of a USAID grant of \$120,000 in 2009, Sadat was able to upgrade its machinery and its production facility, increase its production capacity, and improve the quality of its products. In addition, Sadat constructed a cold storage facility to keep tomatoes in good condition until they could be processed, and upgraded its financial system to better track costs and revenue.

“Prior to USAID’s support, Sadat had only 31 employees,” said Sayed Arif Qarizada, the owner of Sadat Tomato Paste Company. “Now, we employ 100 employees, including 26 women. Our production capacity has increased from 8,000 bottles of paste to 18,000 bottles per shift (two shifts per day) and our monthly sales have doubled from approximately \$200,000 to \$400,000. We have also improved our administration, finance, and marketing systems.”



Honey Money: Sweet Success

Processing honey locally has helped Afghans capture profit all along the honey production value chain.

Afghan beekeepers are abuzz about opportunities to expand into new markets now that their region has the ability to produce processed, high-quality honey products.

The eastern region of Afghanistan has always produced a lot of raw honey because its climate and crops attract honeybees, and because beekeeping has traditionally been an inexpensive way to make a living. However, these beekeepers have not been able to enjoy to the fullest extent the fruits of their labor because the majority of their raw honey had been exported to Pakistan, where it was processed, packaged, and exported right back into Afghanistan at a higher price—all because Afghanistan has not built up a local processing and packaging industry.

With technical and grant support from USAID in 2011, the Nangarhar Beekeepers' Association set out to capture more of this lost profit. The association established the Season Honey Company in Nangarhar Province, and with new equipment for processing and packaging, began to collect, process, and package honey locally. In order to increase the supply of honey to the firm, Season also opened raw-honey collection centers in Laghman, Kunar, Nuristan, and Nangarhar provinces and began collecting raw honey from more than 500 beekeepers there.

Season Honey Company now supplies high-quality packaged honey to markets in Nangarhar, Kabul, and Balkh provinces. The firm employs 15 employees and increased its annual sales of honey from 17,000 kilograms to 38,000 kilograms.

Local honey production provides income-earning opportunities for Afghans throughout the east, and particularly in rural areas. Season Honey serves as a reliable local buyer, employs people in processing and packaging the honey, and also creates job opportunities for others in marketing and sales to local markets. USAID support to the beekeepers association contributed to growth along the entire value chain.

“Establishing the honey processing and packaging facility in the region has solved our problem with processing and packaging honey domestically,” said Manzoor Ahmad Roudwal, managing director of the Season Honey Company. “Because the quality of honey produced in our region is high, it has good markets inside and outside of Afghanistan. Proper processing and packaging helps our products to be competitive, which in turn helps sustain our business, invest more into it, and provide jobs to more people.”



Making Dough

Mechanized dough mixers significantly improve the quality of bread and increase production for bakeries in Hirat City.

Eating fresh, locally baked naan bread is a daily tradition in Afghanistan. All over the country, thousands of small bakeries have staff who painstakingly knead the dough—a labor-intensive, inconsistent, and sometimes unhygienic, method.

Not to mention often painful for those bakers: “Before, we were mixing dough traditionally with our hands, which causes hand aches,” said one local bakery owner, Ghulam Sakhy. “One of my employees faced this problem and the doctor prohibited him from mixing dough.”

With a grant from USAID in 2011, the Hirat Bakers Foundation in Hirat City was able to purchase mechani-



cal dough mixers for 44 of its members. Using mechanical dough mixers produces a more consistent product, improves quality, and reduces contamination. It also increases daily production by improving efficiency.

This grant helped the bakers in the most densely populated areas of the city to improve the quantity and hygienic quality of traditional naan bread. Based on the successful pilot of this grant, USAID expanded the activity to include an additional 80 bakeries in the Hirat region.

“In the past we were only selling 3,000 loaves of bread per day. Now, by providence of this dough mixer, this amount increased to 4,000 per day,” said Sakhy. “This dough mixer facilitated our work and the important thing is that now we have more hygienic bread, which attracts even more buyers.”



Plastic Recycling Boosts Employment

Plastic recycling provides jobs and helps create a cleaner environment.

When Qari Abdul Rashid and his partners saw rapid population growth in Afghanistan's Balkh Province, they also saw an opportunity—to help the environment, and employ Afghans at the same time.

The northern province of Balkh covers more than 16,000 square kilometers and is the fastest-growing area in the country. With a population of more than 1.1 million and a poorly organized waste disposal system, the negative effect on the environment was increasingly noticeable. Many consumer products—drinking water, cooking oil, beverages, dairy products—are supplied in plastic bottles.

Those plastic bottles were rapidly filling up the landfills and very few private operators were collecting waste material and recycling was quite limited.

Rashid recognized the need for plastic recycling, and his firm, Qaderi Plastic Recycling Company, began collecting and recycling plastic in 2006. Because the company did not have the equipment to process waste plastic initially, Qaderi could only cut it up in smaller pieces, bag it, and sell it as raw material to recyclers in Pakistan. Profits were very low and the chopped plastic was bulky and costly to transport.

The company needed to purchase equipment for recycling to be able to further process the plastic waste. In addition to its own contributions to upgrade capacity and expand its facilities, Qaderi used a \$55,000 grant from USAID in October 2009 to procure washing and grinding machinery as well as a pellet-forming machine.



The company now collects and recycles plastic waste from five provinces in the northern region and processes them to in reusable pelletized plastic in Mazar-i Sharif. The pellets are ready to use in the manufacture of new plastic products.

“Before USAID’s support, we could only cut the plastic and sell it as raw material to Pakistan. We earned only 10 Afs (20 cents) per kilogram,” said Rashid, the deputy director for Qaderi. “After installing the new machines, we can further process the plastic waste and receive the added value in the process. We now make 22 Afs (44 cents) per kilogram and have employed an additional 50 employees.”

Sweet Deal for Afghan Juice Factory

A USAID grant supported the creation of 26 jobs, with 12 permanent workers added to a juice factory's staff and 14 to help sell and distribute the product in new markets.

Fruit juice is a popular drink in the eastern region of Afghanistan, especially during the hot, dusty months of summer. However, these drinks can be expensive for the average Afghan because the vast majority of juices are imported.

Seizing on an opportunity to locally produce mango juice catered to Afghans' tastes and pocketbooks, the Ibrahim Malikzai Food and Beverages Company in 2009 began producing and selling "Fresh Up" mango juice mainly in small Jalalabad shops.

To help the company build its production capabilities for expansion, USAID gave the company a \$38,000 grant in August 2009 for new juice bottling equipment to improve the quality and consistency of their product and increase production.

With the new equipment installed and operational, the firm's production capacity has increased from 120 cartons per day to 700 cartons per day. This increased capacity will allow the company to expand its reach into retail outlets in Laghman, Kunar, Mazar-i Sharif, and Kabul. By producing a high-quality, low-priced product proudly made in Afghanistan, Ibrahim Malikzai Food and Beverages Company expects to capture a larger share of the market and be competitive with imported juice. The firm projected a 70 percent increase in revenue due to USAID support.

The success has trickled down to the company's employees as well: "I have worked with Ibrahim Malikzai for the last six months," said Najibullah, one of the workers at the company's juice factory. "This helps me to support myself and my family financially."



The juice production facility also has the potential to be a buyer of locally produced fruit pulp. Currently, the firm imports mango pulp from Pakistan, as mangoes are not grown in this area and no firms in the eastern region are able to provide alternative fruit pulp in sufficient volume or quality. With an established market for its juice products, the Ibrahim Malikzai Food and Beverages Company plans to begin sourcing Afghan-grown fruit pulp to create new flavors. This will encourage local fruit growers and other firms to invest in fruit processing. By creating this market for locally produced fruit pulp, the company now has the potential to drive an increase in income for fruit growers in the eastern region.

SUCCESS STORY



Shadmehr Candy Production Company in Mazar-i Sharif started producing candies locally in 2008 after just importing it. It produced five metric tons of candy per day and supplied local markets in Mazar-i Sharif and other northern provinces of Afghanistan. Considering the high demand for its products, Shadmehr knew it could double production. But to do so, the company needed support.

Starting in September 2009, USAID provided \$130,000 worth of additional machinery to the firm, and Shadmehr expanded its facility and capacity. As a result, the company doubled its production capacity to 10 metric tons per day and now employs 20 more people. To increase demand for the product, USAID also assisted Shadmehr with implementing a marketing campaign.

Sweet Success

A USAID grant has enabled a company to produce twice as much candy as it was previously producing, hire more employees, and find new customers.

Serving candy with tea at social gatherings is a well-loved Afghan tradition. These colorful delights are usually imported from other countries, though there's now a push to produce the candy locally.

One local company in particular, through the help of USAID, was able to ramp up its production of local candy, grab more market share, and hire more staff.

“USAID support enabled us to increase our production capacity and supply our candies to many new local markets, such as those in Kunduz Province. We expect to capture almost 50 percent of the candy market in the region,” said Sayed Aminullah, director of the Shadmehr Candy Production Company.

Support to Shadhmer is an example of USAID's efforts to boost domestic production. Such support enables the Afghan private sector to capture local markets with their own products instead of importing from other countries. This helps to increase domestic employment opportunities, raise revenue, and supports overall economic growth of the Afghan economy by creating opportunities for distributors and ingredient suppliers.

Taken with a Grain of Salt

Salt production provides much-needed employment opportunities for Afghans.

Sometimes all it takes is a modest boost for a company in a developing country to go from slow and steady to thriving and growing.

That was the case for a salt production company in Mazar-i Sharif in northern Afghanistan. The Pamir Belawr Salt Refinery Company started life as business in 2006, on the back of a 10-year contract from the Afghan Government to extract salt from the Dawlatabad District mine in Balkh Province. At the time, the company used basic equipment and machinery to extract and crush salt. Pamir did not have the capacity or the machinery to process the extracted salt into refined, crystallized salt ready for consumption. It also did not have access to a lab to test the salt quality. The product was low quality and worse, potentially unsafe for consumers.

To deal with some of these challenges and upgrade its production capacity, Pamir applied for and received a \$150,200 grant from USAID in 2010. Pamir's own contribution to the agreement was the construction of a modern plant—fully equipped with new salt-refining equipment. Pamir used USAID financial support to equip a quality control and testing laboratory, to procure a 600-kilowatt power generator and a power transformer, and to develop a more effective marketing strategy.

As a result of the support, Pamir has grown substantially. It has increased production capacity from a mere 240 tons of unrefined salt to 480 tons of refined salt. It has also expanded its market reach from four provinces to 13. Further,

it can now produce three types of salt, including the very popular iodized salt, compared to only one unrefined coarsely ground salt in the past. As a result, Pamir has captured nearly 70 percent of the market share for salt in the northern region. Pamir's product can also now successfully compete with products from other countries in price and quality. The firm has increased the number of its employees from 50 to 200.

Haji Ismaeel, owner of Pamir Salt Production Company, said, "USAID support has helped Pamir in a number of ways. It helped us increase employment opportunities and produce better-quality iodized salt. We can also expand our reach to another nine provinces in northern Afghanistan."

USAID's public-private partnership grants are provided to enable firms, such as Pamir Belawr Salt Refinery Company, to address key challenges to their expansion and development. It also helps them diversify their products, explore further and new markets, and compete with imports from other countries because of increased capacity.



Shop Keepers Rebuild After Destruction

The lives of the owners of a series of small shops in a five-story building in Kabul City changed overnight on January 18, 2010, when a bomb ripped through the shopping center known as Ferosgha-e-Buzurge.

The shopping center, close to Afghanistan's Presidential Palace, had been targeted and subsequently substantially damaged by three Taliban units. As a result, at least 27 people were killed and more than 50 injured.

Left behind to deal with the rubble were the entrepreneurs whose lives and families depended on the income generated by the shops. Many of them suffered both personal injuries and financial losses, as most of the shops in the building were physically damaged and stocks burned.

USAID was able to respond to a request for emergency assistance for the shopkeepers from U.S. Ambassador for Afghanistan Karl Eikenberry. ASMED provided grants totaling \$80,000 to 80 shopkeepers, as a first installment of emergency relief funds, to help salvage inventory and make repairs to shop fronts. USAID, USFOR-A, and the building's Afghan owner formed a partnership through a Global Development Alliance supported by ASMED and reconstructed the shopping center. The U.S. Army cleared out rubble and ensured the building was structurally safe before reconstruction began, while ASMED contributed renovation costs totaling \$238,500 and the building owner financed the balance of \$316,500.

At the completion of reconstruction, ASMED disbursed another tranche of marketplace development grants to the shopkeepers (\$281,000) to help them restock



and restart their businesses.

The rebuilding of the Ferosgha-e-Buzurge shopping center was a high priority for private sector in Kabul, and an important opportunity for USAID to support local entrepreneurs. Ambassador Eikenberry and Kabul Mayor Mohammad Younus Nawandish inaugurated the reconstructed shopping center in August of that year. All 80 shopkeepers were able to reopen their businesses, and the newly rebuilt center is more impressive than the former.



Internship Programs Lead to Permanent Jobs

USAID's internship programs build the capacity of future business leaders in Afghanistan.

In Western countries, high school and university graduates have long used internships or apprenticeships as a way to get a foot in the door in the industry of their choice. And it's no secret that Western businesses use interns to help complete special projects, bring fresh ideas, and fill gaps.

USAID decided to introduce this concept in Afghanistan through the life of its Afghanistan Small and Medium Enterprise Development (ASMED) program. The project's human capacity building component supported internship programs across Afghanistan to build business management skills across a number of professions and to help university and high school graduates get jobs.

Started in Kabul, the internship program was a great success in building the capacity of future Afghan business leaders, and was subsequently expanded to several provinces across the country. Realizing that university curriculums produced graduates with technical skills but no exposure to business management concepts or practical work experience, USAID saw an opportunity to support enterprise startups and employment by giving new graduates the skills to start their own businesses and to meet the demands of the job market in the private sector.

The first internship program in Kabul helped 35 students from the departments of economics, agriculture, and science to find permanent jobs at 20 leading private sector firms. Sponsored by ASMED and Afghan e-Quality at Kabul University, the Afghanistan Institute of Business Management trained interns in an intensive three-month business management and accounting course. Students who successfully completed training were placed at various private firms for three-month internships to gain practical work experience, giving employers an opportunity to assess their skills. At the end of their internships in January 2008, 35 interns, including the only two female

students in the program, were permanently employed by their sponsoring companies.

Abdul Rahman Ashraf, the Chancellor of Kabul University, praised the internship program: "The program helps Afghan students raise their productivity—as a result, improving their capacity that is much needed for the sustained growth of the private sector. The program is a bridge between the university and private sector companies."

Lora Haris, a graduate intern and now a permanent employee at Kabul Bank, said, "The internship program helped me to acquire modern accounting and management skills, and implement them in my work environment. As a result, I am a stronger and more productive employee."

The extent of the demand for modern business management skills in the workforce became more apparent as the internship program was expanded, eventually including students from engineering and other disciplines, with universities taking over the management of the programs and private businesses contributing by paying stipends for the interns. Over the course of the project, the internship program benefitted 2,226 university students (22 percent women), approximately 75 percent of which have received full-time employment offers from their host companies, while some graduates—equipped with business management skills—started their own businesses.



Linking Afghan Carpet Makers to the World

Domotex offers the opportunity for financial success and international recognition.

By encouraging participation in international tradeshows, USAID helped the Afghan carpet sector began to reclaim its place as a leader in the handmade world carpet market.

Afghans can produce the most beautiful carpets in the world but if no one sees them, the Afghan carpet industry doesn't stand a chance.

That's where trade fairs come in. Tradeshows can give small and medium businesses information about new markets, and a place to seal real, sustainable business deals, and form relationships. Building market linkages through tradeshows helps small and medium enterprises directly access buyers and agents, particularly from far-away markets.

USAID's Afghanistan Small and Medium Enterprise Development program (ASMED) supported carpet enterprises to attend a number of industry trade shows.

In 2009, in partnership with Turquoise Mountain Foundation, ASMED provided 26 Afghan carpet producers the opportunity to display their carpets at Domotex—the premiere carpet and flooring tradeshow held yearly in Hannover, Germany—under a custom-built stand that featured traditional Afghan woodwork and architecture. An attractive display, beautiful carpet products, and a group of well-prepared Afghan traders built on the success of the 2008 show. Participants' total contracts amounted to \$2.48 million.

In 2010, ASMED teamed with the Export Promotion Agency of Afghanistan to support 30 carpet traders to display more than 40,000 square meters of Afghan carpet. Some of the traders sold all their carpets before the exhibition even opened to the general public. By the end of the show, all of the display carpets were sold and many traders signed contracts for exports. The 2010 show

yielded \$2.3 million in sales and approximately \$14 million in contracts, more than a fourfold increase over 2009.

Afghan firm Nomad Ltd/Chak Palu won the Modern Carpet Design Award and Haji Nabi, owner of Zinnat Carpets, won the Best Modern Design Award for carpets less than €100 per square meter. Abdul Hakeem, CEO of Afghan Rugs, said, "I have orders from different companies from Japan, Holland, Norway, U.K., Spain, and the United States. It will not only benefit the Afghan weaver families, but also it will benefit the economy of our beautiful country, Afghanistan." CEO of Khall Mohammadi Co. Ltd. Asadullah Khall Mohammadi said, "I think we had a successful show on multiple levels of marketing, product branding, and market recognition."

Praising the positive sales and awards, and speaking about the importance of the carpet sector for the Afghan economy, Commerce Minister Amin Farhang said the sector has provided jobs for about 6 million workers, 80 percent of whom are women. Successes such as those experienced at Domotex will only help increase the amount of carpets exported and expand employment opportunities. In 2011, ASMED supported only the advertising costs for Domotex participants, with small companies financing their own travel, shipping, and exhibitor fees.



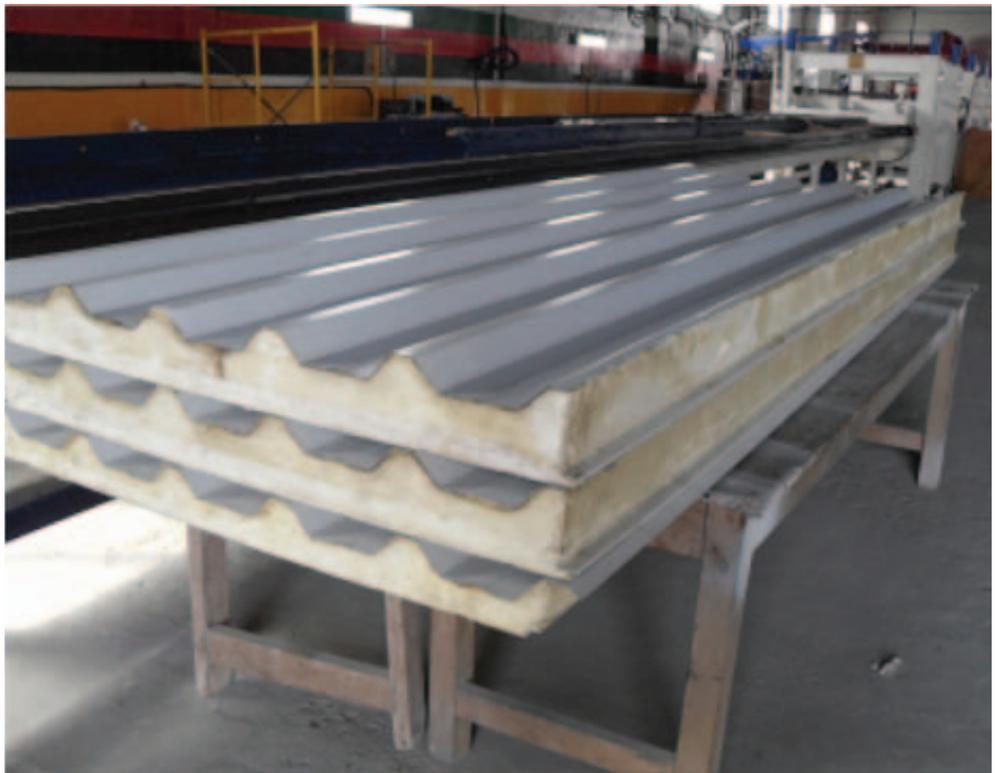
Covering Demand

Afghan firm meets need for high-quality insulation panels in-country to help supply construction boom.

There is a high demand for industrial and commercial buildings in Afghanistan, and reconstruction efforts and the International Security Assistance Forces requirements for prefabricated structures has creating growing demand for construction materials such as insulated sandwich panels (ISPs). This demand is mostly met with imports, for which transportation is costly and unreliable. Afghan companies were missing out on a good business opportunity. With the capacity to manufacture these ISPs in-country, Afghanistan could achieve several development goals including the creation of sustainable employment, reduced construction costs, technology transfer, and faster delivery of building material for critical structures.

With these objectives, USAID partnered with Yasmin ARA LLC, starting in May 2010 a local construction company located in Kabul's industrial zone, to support the production of ISPs and other construction materials locally. ASMED helped Yasmin ARA to procure modern equipment necessary for producing the panels, while the company shared the cost of the venture by constructing new facilities to house the factory and purchasing raw material stocks for manufacturing, forklifts, cranes, and delivery vehicles.

Once production went on line, Yasmin ARA employed more than 50 new full-time workers but was still was unable to keep up with orders. Due to excellent company management and satisfied customers, Yasmin ARA soon had a backlog of orders. USAID granted Yasmin ARA an additional tranche of funding, increasing USAID's contribution to the venture from \$366,000 to \$676,000 with an increase in Yasmin ARA's own contribution to \$2,134,482. The additional funds allowed Yasmin ARA to purchase another panel press and slitting machine that could handle the massive steel coils needed for large stud production. The new machinery greatly enhanced the production capacity allowing the company to take on an additional \$7 million in contracts at the time of commissioning, and Yasmin ARA now employs more than 90 skilled workers.



Laptops Create Classrooms of the Future

Public-private partnership provided Afghan students with One Laptop per Child computers.



Each morning, Hamida, an 11-year-old Afghan student in Kabul, packs her schoolbag. Alongside her pens and books, she carries a bright green-and-white laptop. “It’s like a friend and teacher to me,” she said. “I can look and try to solve questions and spend my time learning.”

After years of war, instability, and times when such technology was banned, USAID introduced laptops designed to improve education into Afghan schools. Computers like Hamida’s provide students with vast educational

resources including digital libraries, educational pages, word processing, databases, and access to email and the Internet.

This classroom of the future was piloted in Afghanistan from 2008 to 2010 thanks to an innovative public-private partnership between USAID, the U.S.-based One Laptop per Child Foundation (OLPC), the Ministry of Education, the Ministry of Communication and Information Technology, Roshan Social Programs, and Afghan IT company Paiwastoon Networking Services.

The laptops, designed by OLPC, use just a quarter of the energy of a regular laptop and can be either solar or foot powered. With 7.5” high-resolution screens that can be read in the dark and in direct sunlight, and watertight protective outer cases with Dari or Pashto keyboards, they are well-suited to overcome the unique challenges of Afghanistan.

The laptops are not only for use in the classroom. Equipped with Internet connectivity, educational software, and a small business tutorial and market information toolkit provided by USAID, the computers are valuable tools for the entire family. Each evening, the laptops go home with the students, whose families can access training and resources to develop and improve their businesses. Even in the most remote regions of Afghanistan, students and entrepreneurs are connecting to the world.

USAID combined these local private and public sector resources as part of an innovative public-private partnership. This successful venture improves Afghanistan’s educational system and rebuilds the country’s human capacity, creating opportunities for much-needed income-generating activities.

Powering Villages

USAID supported renewable energy sector and electrification of rural Afghanistan by facilitating the adoption of new turbine technology.

Working in partnership with a successful Afghan company called Remote HydroLight (RHL), USAID's ASMED project was able not only to create new jobs and indirectly employ hundreds of Afghans, but the partnership also introduced an environmentally sustainable power source to multiple villages in the country.

RHL has been producing micro-hydro turbines and importing turbine parts in Afghanistan for more than 13 years. Over those years, RHL has also helped establish other small and medium enterprises that produce and install the turbines. RHL has facilitated the production and installation of more than 1,000 micro-hydro turbines across the country, nearly all in rural areas with no access to grid power.

Today, the primary turbines used in Afghanistan are called Crossflow turbines, which are well-suited to small, fast-flowing streams found in mountainous areas. More than 200 Crossflow turbines per year of various sizes are being produced through RHL and its affiliates for the government, villages, and small private sector projects. However, in eastern, southern, and south-western Afghanistan, where the rivers are larger and flow slower, the standard Crossflow turbines are not effective.

Therefore, only about half of the potential micro-hydro

power in the country can be developed with the existing technology, while at the same time the market for micro-hydro is growing as more villages seek electrification in off-grid areas.

On sites where Crossflow turbines are not effective, Kaplan turbines have the ability to harness energy from large, low head-flow rivers. While many local workshops have learned how to build micro-hydropower equipment, none had the capacity to produce Kaplan turbines.

Through a Global Development Alliance (GDA) arrangement, from December 2008 to January 2012 ASMED partnered with RHL to research, develop, build, test, and finally transfer the Kaplan turbine technology to local workshops. The GDA aimed to create employment for approximately 30 people directly and hundreds of people indirectly through village electrification. Support was provided for the expansion of 10 Afghan small and medium enterprises and the creation of five new small firms producing micro-hydro turbines in Nagahar and other parts of the country. This proved to be a particularly successful partnership, as a locally made product was effectively developed and is now being used.



Gemstones Shine in Afghanistan

The gemstone sector has the potential to be a major contributor to the Afghan economy. However, the value chain suffers from many weaknesses—including destructive blast-mining and the lack of processing capacity in country. The economic benefit of this resource is negligible as most gems are smuggled into neighboring Pakistan where they are sorted, cut, and polished for the local market or re-exported.

The gemstone industry could be worth up to \$300 million a year in Afghanistan. A lack of domestic gemstone-cutting skills means that 85 percent of all stones are processed outside of Afghanistan. They are sold in rough, uncut form, and fetch correspondingly low prices. Gemstone traders in Afghanistan recoup only a fraction of the full value of their products. A lack of facilities and trained personnel limits the ability to certify and appraise gemstones. Experience with modern jewelry design, equipment, and production techniques is also limited in Afghanistan, preventing Afghans from commanding high prices for jewelry.

USAID was able to support strengthening of the value chain through a number of activities. ASMED grants targeted key problems in the gemstone sector, and supported improvements in extraction techniques, trained Afghans in gemstone identification, cutting and polishing, and in jewelry design and fabrication.



American Nuristani Imports (ANI) International was formed in 2008 and distributes gemstones in overseas markets including Europe and Thailand. By teaming up with ANI and the Nuristan Gemstone Miners, Producers and Traders Association, from May 2011 to April 2012 USAID was able to work with miners in Nuristan to improve extraction techniques using simple tools and equipment, develop a gem cutting-and-polishing training program in Jalalabad, and provide mentorship and support to traders participating in international trade shows. In addition to the creation of 17 new jobs, these activities facilitated job opportunities for 80 additional people in Nuristan. ANI is now able to attract miners from Jagdalik and Kabul to bring its stones to ANI's facilities for cutting and polishing, and 36 apprentices were trained in gemstone cutting and polishing. The group has participated in three international fairs, which resulted in additional orders for traders and recognition for the quality of Afghan stones internationally.

With these positive results, USAID went forward with support to the Jewelers' Guild, which represents both jewelry shopkeepers and gemstone cutters. The guild set up a gemstone processing and jewelry training center in Kunduz with the support of both GIZ and ASMED, and graduated more than 80 trainees. Most of the graduates either started their own businesses or work with other centers in Kunduz City. The association has increased its membership from 15 to 130.

With cut gemstones being produced in-country, a natural follow-on activity was to support industry to create finished jewelry products. USAID support, with an association grant, allowed the Afghanistan Gem Stone Traders Association to establish a Jewelry Fabrication and Gemstone Training Center in Kabul. Here students were taught modern techniques of gem-cutting and jewelry design as well as gem appraisal and identification. In the first year the center trained 40 jewelry design students, 20 jewelers, 20 gemstone cutters and 16 gemology students. As Abdul Basir, a student who learned jewelry making and marketing techniques, said: "From this training I have been able to triple my monthly income and establish my own business."

Maximizing Afghanistan's Natural Resources

USAID helped the Ministry of Mines to gather data for tenders that will generate millions of dollars in future government revenue.

Afghanistan's mineral and hydrocarbon resources will be an important source of employment and revenue for the Government of the Islamic Republic of Afghanistan (GIROA), with 25 percent or more of GDP generated directly or indirectly by the mining/hydrocarbons sectors. To maximize the future benefits of Afghanistan's mineral resources, USAID assisted the Ministry of Mines (MoM) to gather and evaluate geological data from September 2011 to April 2012.

This new data will help the ministry better assess the nature and value of mineral deposits, and prepare and promote tenders in order to attract private sector investment. USAID also worked directly with the MoM to ensure these tenders meet Afghan law and international standards.

USAID partnered with the ministry to share expertise in geo-science field investigation and drilling activities, which are critical requirements for examining the feasibility of productive mineral concessions. The ministry gained experience in data analysis and management to verify the location and quantity of mineral deposits; evaluating and packaging tenders; as well as managing contracts in keeping with international standards to ensure transparency, greater government revenue generation, and local economic development.

Specifically, USAID worked with the Afghanistan Geological Survey (AGS), a division of the MoM, to train laboratory staff on basic lab management, mineral analysis techniques, and quality control methods. USAID provided the ministry recommendations on capacity development for the lab.

Furthermore, USAID and the AGS finished surveying a coal mine at Dar-i-Suf in Samangan Province. The survey

work included trenching, underground sampling and mapping, leading to the identification of previously unrecognized coal seams and the charting of extensions of known seams, which are currently being exploited by small-scale miners. It has been determined that the deposit contains, at a minimum, 250 million metric tons of coal, far more than the ministry originally anticipated.

USAID worked with the AGS to train ministry staff on the use of four core sample drill rigs purchased by the Ministry of Mines. The use of the drill rigs will provide greater levels of certainty when providing the details of a site's potential to bidders on a given tender. Surveys continue at several sites to continue implementation of this training and data gathering.



Parts Keep Machines Running

Local factory expands production of vehicle spare parts.

Due to the harsh weather and poor condition of many roads and the vehicles that traverse them, repairing vehicles is a big business in Afghanistan. Vehicle workshops generally rely on imported auto parts from Pakistan, South Korea, and other Asian countries. However, their supply is irregular, parts are expensive, and there is no guarantee of quality.

In 2005, the Shams Rubber Equipment Production Factory started making car parts from rubber and recycled metal using basic methods to fill this market gap. The company quickly found many eager customers among parts dealers in Nangarhar, including big wholesalers working at the Torkham Border, but its production capacity struggled to meet demand, and the number of products it was able to produce was limited.

Through a value-chain improvement grant in May 2011, USAID supported the Shams Rubber Equipment Production Factory by purchasing a wide array of machine tools and other equipment in order to expand its production capacity and the variety of products.

With this new equipment, Shams Rubber is now able to make more than 70 different types of car, truck, and heavy machinery parts that are in high demand throughout the region. Through this grant, USAID created 20 jobs in Qargahi District, including many skilled laborers that had previously been working in Pakistan but have now returned to Afghanistan, and increased the firm's monthly sales by more than 80 percent.



Several of the firm's buyers expressed their gratitude to USAID for supporting Shams Rubber as they were eager to place larger orders with the firm. They preferred working with Shams Rubber because of its low prices and ability to provide after-sales service.

The owner of Shams Rubber said, "I dreamed of someday having a factory like this, but never thought that my dream would become reality. But with USAID's support, now it is." The firm is well-placed to continue growing and expanding to meet the demand for its products in the region.







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