

## WORD BANK'S PROJECTS FUNDING AND ECONOMIC DEVELOPMENT OF AFGHANISTAN

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### **ABSTRACT**

*World Bank has contributed its funds in order to reconstruct and rebuild the Afghanistan after collapse of economy at 2001; this paper has discussed the financial aids of the World Bank's program funding on economic development of Afghanistan based on the main economic sectors. The data has collected from World Bank open data, Reports, and government published sources. The research method is based on secondary data collection therefore descriptive statistics have been used to analyze the impact of World Bank's Projects funding on economic development of Afghanistan. The timeframe of the research is selected from 2002 to 2020. The main objective of this study is to enhance the fundamental knowledge of study area in the context of Afghanistan particularly the impact of the World Bank's aids on economic development of leased development countries such as Afghanistan.*

**KEYWORDS:** *The Word Bank, Afghanistan, the Word Bank's project, Word Bank Funds, Economic Development*

### **INTRODUCTION**

Afghanistan is one of the least developed countries in the world which has suffered since from decades of war; therefore the county depends on funding foreign aid to support development initiatives. The World Bank has contributed to Afghanistan for decades, but this paper discussed the World Bank's projects from 2002 into 2020. Accordingly, this is needed to be explained all projects implementation by sector-wise in this study. The World Bank has offered technical assistance to assist the government in effectively and transparently managing donor monies. It has argued for increasing the state's legitimacy and capacity, as well as for channeling donor funds via the government to ensure that investments are in line with national interests. World Bank's contribution to the economic development of Afghanistan contains all aspects of development, likewise, this study has pointed out the main sector of economic development which has been covered by World Bank funding since 2002.

### **RESEARCH METHODOLOGY**

#### **Methods of data Collection**

There are a large number of data reports and advance literature published by World Bank open data. In this study, I relied on secondary sources of data collection, through World Bank open data, government sectors, Internet websites, central Bank of Afghanistan, and Afghanistan Central Statistical organization. The Methods of Study are heightened to clarify this part for further explanation. The requirement for explanations that are necessary to comprehend how the World Bank has helped Afghanistan achieve economic development—a case study of the World Bank's project funding—led me to choose

the qualitative research approach. Using this strategy is also justified by the fact that it will help define and comprehend the meanings attached to social phenomena as well as carry out a thorough investigation of the topic at hand. Creswell (2014) asserts that a study that seeks to examine an in-depth analysis requires a strong qualitative approach, which is why I chose the qualitative research method.

### **Analysis of Data**

We used a qualitative descriptive analysis as our method of data analysis, describing the data verbally in order to fully understand the correlations between the variables. The implementation of the aforementioned analytical approach is required because the study will mostly use secondary sources of data. Furthermore, we primarily used tabular presentation, where the data is organized into columns and rows, for data presentation. Others comprise the graphical presentation of data using pie charts, line graphs, and bar charts, as well as the geometrical presentation of data.

## **WORLD BANK PROJECTS AND PROGRAMS**

Developing countries can borrow money from the World Bank at cheap interest rates or receive grants with no interest. These funds are put to use to help a variety of projects in the fields of agriculture, environmental and natural resource management, public administration, health, education, and health care.(Pristine, 2014). Some of our projects are supported by governments, international institutions, commercial banks, export credit agencies, and private-sector investors<sup>1</sup>More than \$4.48 billion has been invested to development and emergency reconstruction projects in Afghanistan since April 2002 by the World Bank's International Development Association (IDA), in addition to six budget support missions. (Weaver, S. 2021) The total amount of this assistance is made up of \$4.14 billion in grants and \$436.4 million in "credits," which are essentially interest-free loans. Ten IDA-only projects worth \$908 million are now being worked on by the Bank, along with 14 projects backed in conjunction with the Afghanistan Reconstruction Trust Fund, totaling a net commitment value from IDA of more than \$2.3 billion.(North, D. C. 1990).The World Bank's aid has become more programmatic after the Afghanistan National Peace and Development Framework was approved (ANPDF). The primary engagement clusters of macro-fiscal management and institution building, promoting private investment and growth to create jobs, governance and anti-corruption, human capital development and service delivery, citizen engagement and gender equality, as well as urbanisation, infrastructure, and connectivity are the focus of policy and investment lending.(Project, 2019).

The World Bank Group's program to assist Afghanistan is built around three interlocking themes: (Sedra, M. a. 2005)

- Improving institutions' credibility and capacity;
- impartial service provision;
- Inclusive growth and jobs.

Overall, Afghanistan has performed well in terms of development outcomes, with notable improvements in education and health as well as more challenging outcomes in urban issues, infrastructure, and energy.(R Levine, A. L. n.d.)Every Bank activity is within budget and supports national agendas. The Bank backs policy changes in areas that are essential for boosting tax collection and improving the environment for investment in high-growth industries, (Snapshot, 2017).

## HOW DOES THE AFGHANISTAN RECONSTRUCTION FUND WORK?

Funding from donors is deposited into a single account that is overseen by the World Bank in the US. At its regular meetings, the ARTF Management Committee votes on proposed allocations; these votes are then translated into financing through Grant Agreements signed by the World Bank, the trust fund's administrator, and the Government of Afghanistan, (Country Up Date, 2017). Contributors put their money into a single World Bank-managed bank account in the US. At monthly meetings, the Board of Directors adopts decisions regarding allocations, which are then implemented through grant agreements, (Pashtoon, R. 2017). After being authorised by the World Bank and the Afghan government, it becomes a fund. Two "hatches" are used to supply aid. According to the Investment Window and World & Group, 2015, the Recurrent Cost Window is also known as the "hatch of financing the state's normal budget" and the "investment hatch". (Laub, Z. 2014).

### The Fund is Designed to

- Boost accountability and openness in reconstruction assistance.
- Contributing to making the national budget stronger as a means of coordinating the restoration effort with overall goals.
- Reduce the pressure on the limited capacity of the government while promoting long-term capacity building
- Participate in the financing of ongoing budgetary expenses

## PROJECTS COST

The World Bank (WB) is an organization that offers grants and credit-based loans to poor nations. One of the countries that receives the most aid from foreign organizations, especially the World Bank, is Afghanistan. With the economic crisis of 2001, the nation began to rebuild its social-economic foundation. The World Bank also makes an effort to support Afghanistan financially through loans and grants, (Hogg, R. N. (2013). The funds donated are centered on programmers to expand infrastructure, building capacity, education, health care, agriculture, and other basic needs of living. This study has looked at some of the necessary World Bank Projects implemented from 2002 to 2020 in order to better understand how each sector is funded by the World Bank. However, the time frame for each project's fiscal year varies. The entire cost of funds for the economic priority sectors is displayed in the following table.

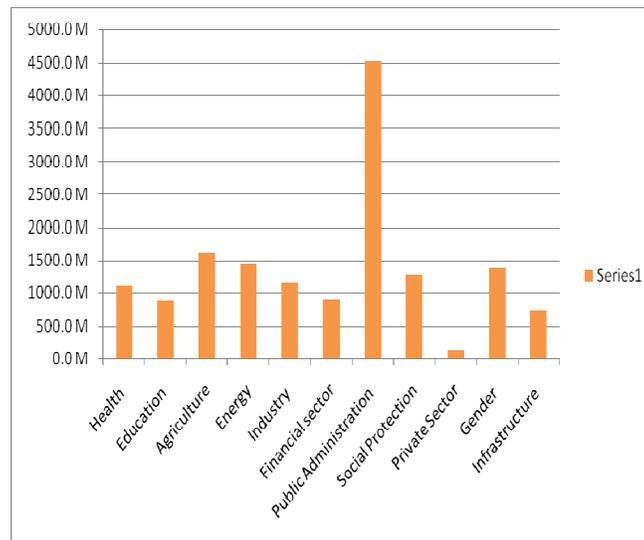
**Table: 7.1 World Bank Projects Funds on Different Sectors**

Health	Education	Agriculture	Energy	Industry	Financial sector	Public-Administration	Social-Protection	Private-Sector	Gender	Infrastructure	Total Funds
1100.2-M€	880.7-M€	1617.1-M€	1442.9-M€	1152.8-M€	895.1-M€	4531.3-M€	1281.4-M€	132.8-M€	1377.2-M€	711.4-M€	\$15.1bn

Sources: World Bank data

As table 7.1 shows the total cost of funds contributed to each sector is (\$15.12 Billion). Each of these sectors needs economic development as a whole. A huge amount of aids inflows in the country pave the way for the development

of these sectors, the private sector remains lower attentive to World Bank funding and each of the other sectors constantly includes the funding assistance of World Bank aids.



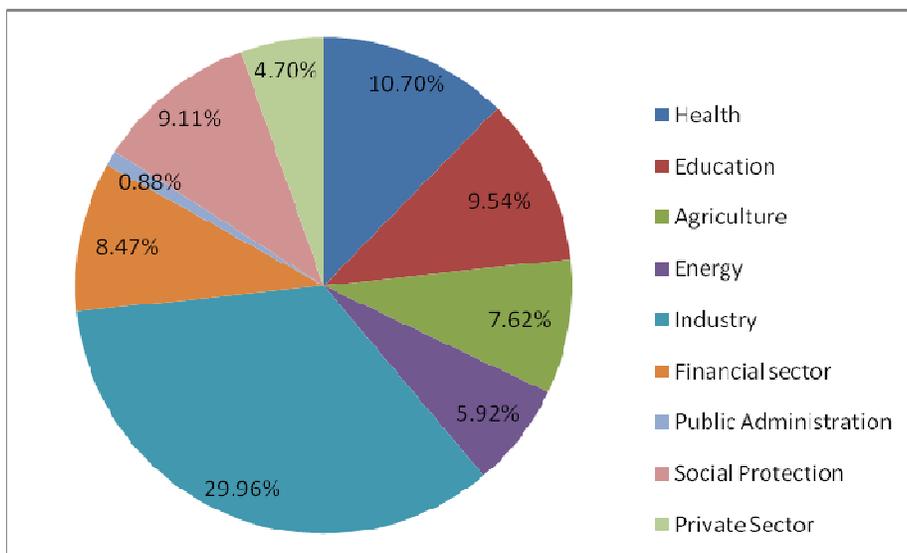
**Figure: 7.1 WB Projects Cost Analyse by Sector.**  
Sources: World Bank Data

Figure 7.1 shows World Bank projects funding for the main sector of economic development. Based on World Bank policy for developing countries to assist central government strengthening therefore the public Administration sector was focused on the biggest amount of World Bank's funding compared to the rest of other sectors.

We have summarized the percentage of the sectors in below table 7.2, this shows the policy of the World Bank on the economic development of Afghanistan's needs and the necessary sector's priority buildup after 2001.

**Table: 7.2 Sector-Wise Percentage Allocations of Funds**

Sectors	Percentages
Health	7.27%
Education	5.82%
Agriculture	10.70%
Energy	9.54%
Industry	7.62%
Financial sector	5.92%
Public Administration	29.96%
Social Protection	8.47%



**Figure: 7.2 Percentages of Funds for Different Sectors.**  
Sources: World Bank Data

Figure 7.2 shows the percentage of funded sectors by ARTF and IDA financial assistance, according to the World Bank policy and Afghanistan economic structure it is required to expended more budgets on agriculture, public administration, Education, and Health sectors in order that these sectors are a fundamental factor of living hood after integrating and reforming of Afghanistan administration capacity building, on 2001.

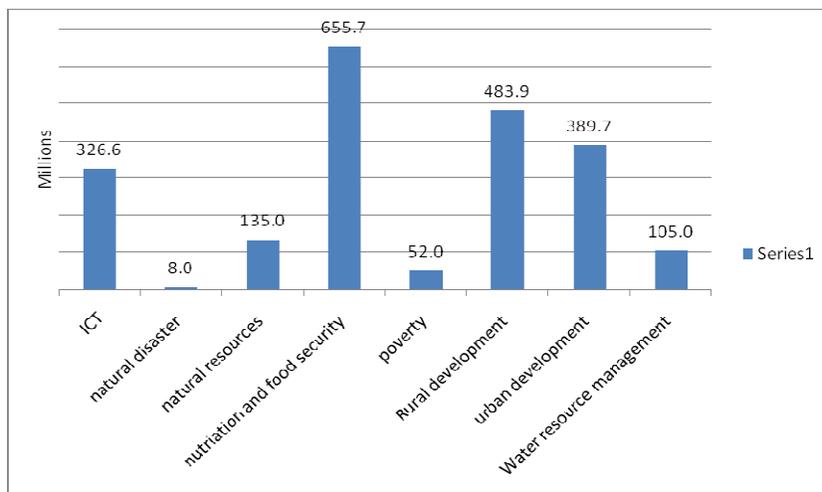
**SUB-PROJECTS FUNDED BY WORLD BANK**

The World Bank has made contributions to a number of sectors that are necessary to restore the pre-2001 economic crop. Hence, given the context of Afghanistan's economy as compared to other countries, nutrition and food security have garnered considerable financing, amounting to \$655 million. These initiatives' primary goal is to increase social living security in order to promote economic growth. ICT (information and communication technology) has advanced to create connectivity throughout the nation, and from 2006 to 2020, the World Bank's financial assistance in this area was only \$326 million. (Roup., W. B. 2013)

**Table: 7.3 Sub-Projects Funded by World Bank**

Sub-Sectors	Total Funds Amount \$M	Percentage
ICT	326.6	15.14%
Natural Disaster	8.0	0.37%
Natural Resources	135.0	6.26%
Nutrition And Food Security	655.7	30.40%
Poverty	52.0	2.41%
Rural Development	483.9	22.44%
Urban Development	389.7	18%
Water Resource Management	105.0	4.87%
Total	\$2,155,849,096.00	100%

Sources: World Bank Data Analyses



**Figure: 7.3 Sub-Projects Funded by World Bank.**  
Sources: World Bank Data

To achieve consistently improved performance in key departments' capacity to manage any or all of the common functions, including administration, financial management, human resource management, and policy and regulatory design, is to contribute to the project's activity objective for poverty reduction. This should ultimately lead to more efficient use of financial resources, cost effectiveness, and quicker and more effective ground development. The World Bank invests over \$105 million in the water resource management sector to increase water usage efficiency and boost agricultural output in project areas. In order to build capability and gain access to irrigation in certain locations. The National Environmental Protection Agency (NEPA) and the Ministry of Mines (MoM) will receive funding from the World Bank for the natural resource in order to help them further develop their abilities to effectively and efficiently regulate the development of Afghanistan's mineral resources and promote private sector development.

## KEY CONCLUSIONS

The World Bank has contributed to Afghanistan for decades, but this paper discussed the World Bank projects from 2002 into 2020. Accordingly, this is needed to be explained in all project implementation by sectors in this study. The World Bank has provided technical assistance to help the government manage donor funds with transparency and accountability. It has advocated building the capacity and the legitimacy of the state, World Bank's contribution to the economic development of Afghanistan contains all aspects of development, likewise, this study has pointed out the main sector of economic development which has been covered by World Bank funding since 2002.

This paper enterprise and analyzed the World Bank's funds on the main sectors of economic development, the data collected from the world Bank open data source which directly interconnected to the budgetary of the World Bank's program which implemented in the country from prospective of economic development.

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