



Asian Development Bank & Afghanistan

FACT SHEET

Table 1. Afghanistan: Development Indicators

Non-MDG	
Population in millions	25.47 (2009)
Annual population growth rate (%)	2.0 (2007–2009)
Adult literacy rate (%)	28.0 (2000)
Percent of population in urban areas	...
MDG	
Percent of population living on less than \$1.25 a day	...
Percent of population living below the national poverty line	42.0 (2007)
Under-5 mortality rate per 1,000 live births	257 (2008)
Percent of population using an improved drinking water source	22 (2006)

... = data not available, MDG = Millennium Development Goal.

Sources: ADB. 2010. *Basic Statistics 2010*. Manila.
UNESCO. 2010. Institute for Statistics Data Centre.

Afghanistan is the poorest country in the entire Asia and Pacific region. The United Nations Development Programme's Human Poverty Index ranks Afghanistan at the very bottom of 135 countries in terms of human deprivation, characterized by short life, lack of basic education, and lack of access to public and private resources.¹ Despite significant development gains since the 2001 ouster of the former Taliban regime, the people of Afghanistan continue to suffer widespread and growing insecurity; weak governance; inadequate health care, education, and other public services; and gender inequality. Lack of employment opportunities and endemic poverty continue among a large segment of the population, with two thirds of the population living below or just above the country's official poverty line.

To confront the country's many development challenges, the Afghan authorities, with strong international support, have embarked on an ambitious program of state building, including democratic political normalization, modernization of the army and police, rehabilitation of infrastructure, restoration of basic services, and institutional reform. Despite measured progress, Afghanistan will have difficulty achieving the internationally agreed Millennium Development Goals for poverty reduction.

The Afghanistan Compact, adopted at the London Conference on Afghanistan in early 2006, provides a binding agreement for engagement in the country's development to 2010. The Compact—based on the Paris Declaration on Aid Effectiveness and the government's Afghanistan National Development Strategy (ANDS)—resolves to overcome the legacy of conflict in the country. It sets conditions for sustainable economic growth and development and aims to strengthen state institutions and civil society, remove terrorist threats, meet the challenge of narcotics, rebuild capacity and infrastructure, reduce poverty, and meet basic human needs. A Joint Coordination Monitoring Board, consisting of the government and development partners, oversees progress in achieving the Compact targets and benchmarks. In June 2008, the international community reaffirmed its commitment to a long-term partnership to serve the people of Afghanistan and better their security, prosperity, and human rights, with donors pledging an additional \$14 billion for Afghanistan's further reconstruction and development.

Relationship with ADB

Afghanistan was one of the Asian Development Bank's (ADB) founding member countries in 1966. As a result of ongoing civil conflict, however, ADB operations in the country were suspended from 1989 to 2002. As of 31 December 2009, ADB provided Afghanistan with \$2.1 billion in loans, grants, guarantees, technical assistance, ADB-administered cofinancing, and private sector investments. The country is ADB's 18th largest borrower.

Significant international engagement with Afghanistan resumed in late 2001. Over a period of several months, ADB, the World Bank, and the United Nations assisted the Afghan authorities in preparing assessments of the country's critical rehabilitation and development needs. At the

¹ United Nations Development Programme. 2008. *Human Development Indices: A statistical update 2008*. New York. Due to lack of reliable statistical data, Afghanistan is not included in UNDP's Human Development Index ranking.

2002 Tokyo Conference, ADB pledged loan and grant assistance of some \$500 million over 2.5 years, beginning with a \$167.18 million Postconflict Multisector Program loan—the first loan by an international financial institution to the country in more than 23 years.

In 2004, ADB pledged up to \$800 million in Asian Development Fund (ADF) loans and grants for 2005–2008. At the 2006 London Conference, ADB indicated its intention to provide at least \$200 million per year in ADF funding through to 2010. At the 2008 Paris Conference in Support of Afghanistan, ADB pledged \$1.3 billion in support of Afghanistan's further economic development over the 2008–2013 period. These grant funds are now fully committed. In terms of overall donor pledges from 2002–2013, ADB ranks as Afghanistan's fourth largest donor after the United States, the United Kingdom, and the World Bank.

At the request of the Afghan authorities, ADB loan and grant-financed projects and programs, and related technical assistance (TA), are focused on the energy, road and rail transport, and irrigation and agriculture sectors. Additional ADB assistance has been provided to the country's governance and financial sectors. Private sector support has focused on loans and investments to stimulate the development of Afghanistan's telecommunications and banking sectors.

Impact of Assistance

Since resuming operations in Afghanistan in 2002, ADB's assistance has aimed to spur economic growth, with most projects classified as core poverty interventions.

The \$167.18 million Postconflict Multisector Program loan, approved in late 2002, supported policy and institutional reforms directed at improvement in governance and the strengthening of the finance, transport, and energy sectors.

A \$150 million Emergency Infrastructure Rehabilitation and Reconstruction Project, approved in mid-2003, rehabilitated

447 kilometers (km) of the nation's primary ring road and is contributing to the repair of power transmission lines. It also supported the rehabilitation of damaged gas production, transmission, and distribution facilities, and is funding the rehabilitation of irrigation infrastructure.

Subsequent ADB infrastructure projects in the transport sector have focused on the rehabilitation of several regional airports and rebuilding additional sections of the primary ring road, including the \$400 million Multitranches Financing Facility (MFF) for the Road Network Development Investment Program, approved in 2008, to improve about 400 km of national roads, as well as ancillary and emergency works on national and regional roads and 5 years' maintenance of some 1,500 km of the country's paved roads. In 2009, ADB also approved a \$165 million grant for the construction of a new 75-km railway line between Hairatan at the border with Uzbekistan and Mazar-e-Sharif in Afghanistan. The project represents the first phase of a larger rail network planned across the north and other parts of the country, including links to Herat, Tajikistan, and Pakistan. It will expand the existing transport network in Afghanistan and substantially improve internal and international connectivity. The project is part of the Transport Strategy and Action Plan agreed under the Central Asia Regional Economic Cooperation (CAREC) Program. It will add capacity to two transport corridors under CAREC and open up alternative routes of supply for national and international trade, as well as for humanitarian relief to Afghanistan.

In the energy sector, ADB approved, in 2006, the \$35 million Regional Power Transmission Interconnection Project. The project will interconnect power grids in Tajikistan and Afghanistan, allowing Tajikistan to export surplus electrical power to Afghanistan. In 2008, a \$570 million MFF for the Energy Sector Development Investment Program was approved. The MFF will finance a range of power sector

Table 2. Afghanistan: Economic Indicators, 2005–2009

Economic Indicator	2005	2006	2007	2008	2009
Per capita GNI, Atlas method (\$)	...	...	...	...	...
GDP growth (% change per year)	16.1	8.2	12.1	3.4	15.1
CPI (% change per year)	12.3	5.1	13.0	26.8	-10.0
Unemployment rate (%)	...	...	...	...	...
Fiscal balance (% of GDP)	1.0	-2.9	-1.8	-3.7	-2.1
Export growth (% change per year)	9.2	0.9	1.3	18.9	-2.4
Import growth (% change per year)	20.5	10.0	16.2	12.1	3.5
Current account balance (% of GDP)	-2.8	-4.9	0.9	-1.6	-3.6
External debt (% of GNI)	162.0	146.2	19.8	...	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB, 2010. *Asian Development Outlook 2010*. Manila.
ADB staff estimates.

Table 3. Afghanistan: 2009 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
–	–	1.4	336.4	337.8

– = nil.

Cumulative Contract Awards (as of 31 Dec 2009) : \$952.3 million
Cumulative Disbursements (as of 31 Dec 2009) : \$660.4 million

Table 4. Afghanistan: Cumulative ADB Lending as of 31 December 2009

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	8	167.80	17.62
Education			–
Energy	3	70.50	7.40
Finance	1	5.00	0.53
Health and Social Protection			–
Industry and Trade	1	5.70	0.60
Public Sector Management	1	48.00	5.04
Transport and ICT	7	338.10	35.50
Water Supply and Other Municipal Infrastructure and Services			–
Multisector	2	317.18	33.31
Total	23	952.28	100.00

– = nil, ICT = information and communication technology.

^a Total may not add up because of rounding.

Table 5. Afghanistan: Project Success Rates

By Sector	Percentage ^a	No. of Rated Projects/ Programs
Agriculture and Natural Resources	100.0	1
Multisector	100.0	2
Total	100.0	3
By Year of Approval		
2000s	100.0	3

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2009.

investments, with focus on transmission and distribution rehabilitation and further extensions of the main North East Power System (NEPS). The first \$164 million tranche will finance a number of subprojects, including a 60-km Kunduz–Talaquan transmission line and NEPS distribution in Kunduz and Baghlan municipalities.

In the agriculture and natural resources sector, the 2005 Western Basins Water Resources Management Project will support integrated water resource management, water resource and irrigation development, agriculture and livelihood services, and capacity development and project management in the Western Basins region. The \$30 million Agriculture Market Infrastructure Project, approved in 2008, will support further development of Afghanistan's market infrastructure and the establishment of standards for Afghanistan's livestock and horticulture industries. In 2009, ADB approved a \$303.3 million MFF for the Water Resources Development Investment Program, to be provided over 10 years. The Investment Program will finance (i) the rehabilitation and upgrading of existing and development of new irrigation and water resources infrastructure, (ii) flood management infrastructure, (iii) institutional strengthening, and (iv) capacity building for key staff throughout the sector. The first tranche of \$90 million was signed in November 2009.

With respect to economic management and governance, the \$55 million Fiscal Management and Public Administration Reform

Program, approved in 2005, supported government efforts to improve fiscal management and to undertake reforms that include strengthening budgeting, public investment programming, revenue mobilization, civil service management, functioning of provincial administrations, and transparency and accountability of public finances. The \$60 million Private Sector and Financial Markets Development Program, approved in 2006, has helped the government establish a clear and comprehensive legal basis for private sector development.

ADB's private sector investments in Afghanistan have focused on the telecommunications and banking sectors. As of the end of 2009, six private sector projects (for a total of \$198.1 million) had been approved in the form of loans (\$135 million), a B-loan (\$30 million), equity investments (\$8.1 million), and guarantees (\$25 million). The major borrower has been the Telecom Development Company of Afghanistan (Roshan), receiving a total of \$180 million. With such support, Roshan has been able to expand its operations, now serving more than 3 million Afghan subscribers. ADB also made a \$2.6 million equity investment in the Afghanistan International Bank, a \$10 million private sector guarantee to the Afghanistan Investment Guarantee Facility, and a \$5.5 million equity investment in the Afghanistan Renewal Fund Limited.

In addition, since 1969, ADB has provided \$67 million in TA grants to develop priority investment projects, as well as to support national capacity development. In 2009, ADB approved two project preparatory TAs for \$1.4 million.

Table 6. Afghanistan: Portfolio Performance Quality Indicators for Sovereign Lending, 2008–2009

	2008 (\$ million)	2009 (\$ million)
Number of Ongoing Loans (as of 31 Dec 2009)		11
Contract Awards/Commitments	53.2	37.1
Disbursements	51.8	74.3
Loans at Risk (%)	9.1	18.2

Note: Totals may not add up because of rounding.

Table 7. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2009^{a,b}

Country	No. of Projects	Total ADB Approvals (\$ million)
China, People's Republic of	24	2,188
India	35	2,129
Indonesia	15	919
Philippines	26	768
Pakistan	24	721
Thailand	10	395
Kazakhstan	4	375
Sri Lanka	12	280
Viet Nam	7	280
Bangladesh	8	242
Afghanistan	6	198
Lao People's Democratic Republic	1	100
Azerbaijan	4	66
Nepal	4	59
Georgia	1	25
Papua New Guinea	1	25
Other DMCS	12	62
Regional	38	1,895

DMCs = developing member countries.

^a Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

^b Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

Future Directions

ADB's new Country Partnership Strategy (CPS), which covers the 2009–2013 period, continues ADB's focus on Afghanistan's energy, transportation and communications, agriculture and natural resources, and governance sectors. Support to these sectors will include capacity and institutional development and attention to sector governance, with emphasis on public financial management, procurement, and

Table 8. Afghanistan: Contractors/Suppliers Involved in ADB Loan Projects, 1 January 2005–31 December 2009

Contractor/Supplier	Sector	Contract Amount (\$ million)
Gulf Home Base JV	Transport and ICT	5.79
Fayz Construction Company Ltd.	Transport and ICT	4.95
Omulblad Engineering Group (OEG)	Multisector	1.28
Brotheran Afghan Construction Company (BACC)	Multisector	0.85
Harirod Construction Company (HCC)	Multisector	0.77
Arian Bana Construction Company	Agriculture and Natural Resources	0.66
Afghan Maskan Construction Company	Multisector	0.38
Aria Middle East (AME) Ltd.	Agriculture and Natural Resources	0.37
Alyas Bakhtari Construction Company (ABCC)	Multisector	0.36
Arbab Construction Company (ACC)	Multisector	0.33

ICT = information and communication technology.

Table 9. Afghanistan: Top Consulting Firms Involved in ADB Loan Projects, 1 January 2005–31 December 2009

Consultant	Number of Times Contracted	Contract Amount (\$ million)
FKH Geoexpert Services	1	2.24
Alliott Gulf Ltd., Kabul	2	0.01

anticorruption in line with ADB's Second Governance and Anticorruption Action Plan. It is proposed that the bulk of ADB assistance will be provided through sector-based MFFs, although there remains scope for project- and program-based support. ADB is also expected to make additional strategic private sector investments. The new CPS is fully aligned with the Afghanistan National Development Strategy (ANDS), directing ADB support to ANDS pillar 3 and economic and social development.

Operational Challenges

Afghanistan continues to face daunting challenges, including endemic poverty and lack of human capacity, insecurity, weak governance and institutionalized corruption, a drug economy equal to more than one third of gross domestic product, rampant gender inequality, and a constrained private sector. The December 2005 issue of *ADB Review* contains an account of Afghanistan's many development challenges, all of which remain current (see www.adb.org/Documents/Periodicals/ADB_Review/2005/vol37-6/).

Partnership

ADB and its development partners support the Afghanistan National Development Strategy, and its ambitious targets and benchmarks for measuring progress in the country's reconstruction and development. These benchmarks form the basis of the Afghanistan Compact, which serves as the blueprint for continued international engagement in Afghanistan to 2010. In June 2008, the government and the international community reaffirmed that the Afghanistan Compact remains the agreed basis for their partnership.

ADB also cooperates with civil society organizations in Afghanistan to strengthen the effectiveness, quality, and sustainability of the services it provides. Nongovernment organizations have been involved in the implementation of grant investment projects financed through the Japan Fund for Poverty Reduction. In 2008, the Agency Coordination Body for Afghan Relief completed an ADB-financed participatory poverty assessment that provided qualitative information about the scope, nature, and specific characteristics of poverty in Afghanistan,

complementing existing quantitative data about poverty. The assessment reports are available at www.adb.org/Documents/Reports/APPPA/default.asp.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

In 2009, the United Kingdom provided \$3.3 million grant cofinancing for the Water Resources Development Investment Program—Tranche 1.

As of the year-end 2009, cumulative direct value-added cofinancing for Afghanistan amounted to \$73.0 million for five investment projects and \$8.2 million for nine TA projects.

A summary of projects with cofinancing from 1 January 2005 to 31 December 2009 is available at www.adb.org/Documents/Fact_Sheets/Afghanistan/cofinancing.asp.

From 1 January 1968 to 31 December 2009, contractors and suppliers were involved in 186,281 contracts for ADB loan projects worth \$96.29 billion. During the same period, contractors and suppliers from Afghanistan were involved in 202 contracts for ADB loan projects worth \$282.07 million.

From 1 January 1968 to 31 December 2009, consultants were involved in 10,945 contracts for ADB loan projects worth \$4.38 billion. During the same period, consultants from Afghanistan were involved in three contracts for ADB loan projects worth \$2.24 million.

From 1 January 1968 to 31 December 2009, consultants were involved in 20,087 contracts for ADB TA projects worth \$2.52 billion. During the same period, consultants from Afghanistan were involved in 78 contracts for ADB TA projects worth \$2.72 million.

A summary of procurement contracts awarded to companies and consultants from Afghanistan for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/Afghanistan/procurement.asp.

Table 10. Afghanistan: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Technical Assistance Projects, 1 January 2005–31 December 2009

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Agency Coordinating Body for Afghan	1	0.38
Norwegian Church Aid – AFG	1	0.14
Nejat Center, Afghanistan	1	0.05
Individual Consultants	59	1.12

Table 11. ADB Assistance to DMCs, 2008–2009^a

	2008 (\$ million)	2009 (\$ million)	Change (%)
Lending	10,123.92	13,230.19	30.68
ADF, Sovereign	1,763.56	2,210.31	25.33
OCR, Sovereign	6,838.78	10,577.01	54.66
OCR, Nonsovereign	1,521.58	442.87	(70.89)
Public Sector	300.00	134.30	(55.23)
Private Sector	1,221.58	308.57	(74.74)
Equity Investments	123.08	220.00	78.74
Grants	808.90	1,113.48	37.65
Technical Assistance	273.20	267.20	(2.21)

ADF = Asian Development Fund, DMCs = developing member countries, OCR = ordinary capital resources.

^a Excludes terminated loans, equity investments, technical assistance, and grants.

About Afghanistan and ADB

ADB Membership

Joined 1966

Shareholding and Voting Power

Afghanistan is the 31st largest shareholder among regional members and the 39th largest overall.

Figures are as of 31 December 2008, before the fifth general capital increase process began. The process is ongoing, and the final figures are expected to be available by 31 December 2010. Current subscription levels are available from the Office of the Secretary.

Shares held	1,195 (0.03%)
Votes	14,427 (0.33%)

Ashok K. Lahiri is the Executive Director and **Md. Aminul Islam Bhuiyan** is the Alternate Executive Director representing Afghanistan on the ADB Board of Directors.

Craig Steffensen is the ADB Country Director for Afghanistan. The Afghanistan Resident Mission (AFRM) was opened in 2003 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. AFRM engages in policy dialogue and acts as a knowledge base on development issues in Afghanistan.

The Afghanistan government agency handling ADB affairs is the Ministry of Finance.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2009, lending volume was \$13.23 billion (93 projects), with TA at \$267.2 million (313 projects) and grant-financed projects at \$1.11 billion (64 projects). In addition, \$3.16 billion in direct value-added loan cofinancing was generated. Over the last 5 years (2005–2009), ADB's annual lending volume averaged \$9.18 billion, with TA averaging \$245.7 million and grant-financed projects \$855.4 million. As of 31 December 2009, the cumulative totals were \$155.94 billion in loans for 2,206 projects in 41 countries, \$5.19 billion for 315 grant projects, and \$3.81 billion for 6,863 TA projects.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website

www.adb.org/afghanistan

Asian Development Outlook

www.adb.org/Documents/Books/ADO/2010/AFG.pdf

Annual Report

www.adb.org/Documents/reports/annual_report/2009/