

## CONCEPT PAPERS FOR LENDING PRODUCTS

This appendix contains the concept papers for projected lending products:

- (i) Table A2.1: Financial Market and Private Sector Development Program
- (ii) Table A2.2: North-South Corridor Project
- (iii) Table A3.3: Rehabilitation of Regional Airports Project II

**Table A2.1: Financial Market and Private Sector Development Program (FMPSPD)  
Concept Paper**

**Date:** 17 June 2005

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input checked="" type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> ADF grant-financed</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the  Sectors: Multisector: (i) Finance; and (ii) Law, economic management and public policy  Subsectors: Financial sector development; and economic management</p> <p>b. Targeting classification</p> <p><input type="checkbox"/> Targeted intervention</p> <p><input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic areas</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table> <p>Subthemes: Promoting economic efficiency and enabling markets; and policy/institutional/legal/regulatory reforms.</p>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> South Asia Governance, Finance, and Trade Division (SAGF)</p>								
<p><b>5. Responsible ADB officer(s):</b> To be determined</p>								
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> It is estimated that up to 85% of economic activity in Afghanistan is undertaken by informal players who do not have adequate incentives or mechanisms to formalize their business activities. The formal sector is primarily engaged in manufacturing, construction, telecommunications, power, transport and trade. Excluding the estimated \$2.3 billion in opium production, it is estimated that the private sector contributes approximately 89% of total gross domestic product (GDP). The private sector also represents 92% of total consumption, but only 6% of gross fixed capital formation. It is further estimated that the active labor force employed in private sector activities is 1.7 million, compared with 250,000 employed by the Government.</p>								

In its 2002 national development strategy (NDS), the Government identified the private sector as the main engine of economic development and poverty reduction in Afghanistan. Since 2002, the Government has implemented a number of policy reforms pertaining to financial market and private sector development including the establishment of the Afghanistan Investment Support Agency, successful introduction of a new currency, and promulgation of a new central bank and banking laws. The Government is also beginning to reform state-owned enterprises (SOEs), and is undertaking public administration reforms. Nevertheless, the recently completed private sector assessment for Afghanistan identified significant impediments to private sector development, including (i) lack of security, especially in the areas outside of Kabul; (ii) poor physical infrastructure, (iii) unclear land property rights, (iv) limited capacity in both the private and public sectors; (v) absence of an enabling regulatory framework; (vi) limited access to and range of financial products and services; and (vii) weak governance, in both the public and private sectors.

Multilateral and bilateral development partners are actively supporting Government-led reforms of the financial sector and private sector development. The World Bank prepared a preliminary needs assessment for private sector development in January 2002 and currently is preparing a private sector development project. The United States Agency for International Development (USAID) is providing assistance for financial sector reforms, customs and trade, and SME development and SOE restructuring. The UK Department for International Development (DFID) is helping the Government to improve the legal and regulatory framework for private sector development. Given the large needs there is considerable potential for contribution by the Asian development Bank (ADB), and the Government has expressed keen interest in ADB's involvement.

**b. Goal and purpose:** In line with the Government's own strategies, the Financial Market and Private Sector Development Program will focus on (i) improving the policy and regulatory framework for financial markets; (ii) creating a rules-based business environment by facilitating the establishment of an appropriate legal, regulatory and institutional framework for private sector development; (iii) developing options for improving access to financing by SMEs; and (iv) reforming government activities of commercial nature.

**c. Components and outputs:** (i) Financial sector reforms, including the development of a comprehensive medium-term development strategy and prioritized action plan for the financial market development; (ii) improving private enterprise access to finance; (iii) enhancing business development services, including a possible business development services project component; and (iv) reforms of government commercial activities.

**d. Rationale and purpose of ADF grant financing:** To be determined.

**e. Expected results and deliverables:** (i) Enhanced legal and regulatory framework for financial sector reforms; (ii) improved private enterprise access to finance; (iii) enhanced business development services; (iv) reforms of government's commercial activities; and (v) enhanced institutional capacity in the financial sector.

**f. Social or environmental issues or concerns:** No specific environmental concerns are identified at this stage. With respect to the social issues, while no direct consequences are expected from the program, if the program includes a component dealing with restructuring and privatization of state-owned enterprises (SOEs) and government-owned financial institutions, there will be a need to address the redundancy of SOEs' employees. This will be further determined in the process of PPTA implementation.

**g. Plans for disseminating results/deliverables:** Workshops and seminars will be organized with the relevant stakeholders, including central ministries and agencies, private sector representatives, NGOs, and other development partners.

**7. Proposed executing/implementing agency or agencies:** Ministry of Finance.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

The program was identified in the course of extensive consultations with the Government during the preparation of the CSPU, 2004–2006. Stakeholders were extensively consulted during the TA fact-finding stage, and further consultations will take place in the course of the PPTA implementation.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2003
- b. Expected date of submission for approval
  - Lending: 2006
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory):
- c. Period and duration of assistance
  - Lending: 2006–2009
  - Nonlending:

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources:
  - Asian Development Fund (loan): \$60 million
  - Asian Development Fund (grant):
  - Other:

If cofinancing is required, indicate amount and sources sought: \$\_\_\_\_, from \_\_\_\_\_.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A2.2: North–South Road Corridor Development Project  
Concept Paper**

**Date:** 16 June 2005

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input checked="" type="checkbox"/> ADF grant-financed</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport and communications Subsector: Road</p> <p>b. Targeting classification</p> <p><input type="checkbox"/> Targeted intervention</p> <p><input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area</p> <p>Themes:</p> <table> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> South Asia Transportation and Communications Division (SATC)</p>								
<p><b>5. Responsible ADB officer:</b> Dong-Soo Pyo, Principal Financial Specialist</p>								
<p><b>6. Description of assistance(s)</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b> After the rehabilitation of Afghanistan's ring road—the major highway network linking the country—the development of Afghanistan's road infrastructure must shift from an emergency program to a rehabilitation and reconstruction program that further supports economic growth and poverty reduction. The improvement of the North–South corridor passing through the country's central mountain region will provide access to remote communities in the region and to sources of agricultural products, mines, and gas fields, as well opening up alternative links to the ring road.</p> <p>b. <b>Goal and purpose:</b> To help the Government promote economic and social development and reduce poverty by providing access to road transport for the central mountain region and facilitating direct and shorter connections between various regions as well as facilitating North–South transit traffic.</p>								

<p><b>c. Components and outputs:</b> The rehabilitation of the North–South road corridor will be identified by the PPTA feasibility study. Four potential corridors are (i) Shibirghan–Saripul–Darzab–Belcharagh–Chghcharan–Taywara–Gulistan–Dilaram (629 km), (ii) Mazar-e-Sharif–Kishindi–Tukzar–Balkhab–Shinya–Yakawlang–Pabjab–Day Kundi–Tirin Kot–Kandahar (820 km), (iii) Mazar-e-Sharif–Kishindi–Dara-I-Suf–Kahmard–Bamyān–Yakawlang–Panjab–Day Kundi–Tirin Kot–Kandahar (877 km), and (iv) Mazar-e-Sharif–Kishindi–Tukzar–Balkhab–Talak–Chaghcharan–Taywara–Gulistan–Dilaram (735 km).</p> <p><b>d. Rationale and purpose of ADF grant financing:</b> The project area is an extremely remote and isolated area where road transport is sporadic. By linking such an area to the ring road, the project will have a huge poverty reduction impact.</p> <p><b>e. Expected results and deliverables:</b> Rehabilitation of North–South road corridor to develop direct and shorter road links between northern and southern provinces.</p> <p><b>f. Social or environmental issues or concerns:</b> Ongoing PPTA will identify social and environmental issues.</p> <p><b>g. Plans for disseminating results/deliverables:</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> A conference/workshop/brown bag</li> <li><input type="checkbox"/> Publication of article(s) in external journals or books</li> <li><input checked="" type="checkbox"/> External press release to news agencies, including www.adb.org</li> <li><input checked="" type="checkbox"/> Internal press release in <i>ADB Today</i></li> <li><input type="checkbox"/> Others (specify) _____</li> </ul>
<p><b>7. Proposed executing/implementing agency or agencies:</b> Ministry of Public Works</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b></p> <p>The Government's road development program gives priority to improvement of the East–West corridor (ring road) and a North–South corridor to serve the country's central region. With rehabilitation of the ring road underway (including with ADB funding), the project will address the need for a North–South road link.</p>
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2004</p> <p>b. Expected date of submission for approval</p> <p style="padding-left: 20px;">Lending: September 2006</p> <p style="padding-left: 20px;">Nonlending (project preparatory):</p> <p style="padding-left: 20px;">Nonlending (other than project preparatory):</p> <p>c. Period and duration of assistance{s}</p> <p style="padding-left: 20px;">Lending: 3 years</p>
<p><b>10. Financing Plan</b></p> <p>a. For lending</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Ordinary capital resources:</li> <li><input checked="" type="checkbox"/> Asian Development Fund (loan): \$70 million</li> <li><input checked="" type="checkbox"/> Asian Development Fund (grant): \$70 million</li> <li><input type="checkbox"/> Other:</li> </ul> <p>If cofinancing is required, indicate amount and sources sought: \$120 million, source to be determined</p>

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A2.3: Rehabilitation of Regional Airports Project II  
Concept Paper**

Date: 16 June 2005

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p>    <input checked="" type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input checked="" type="checkbox"/> ADF grant-financed</p> <p>    <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>								
<p><b>2. Assistance focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport and communications Subsector: Civil aviation</p> <p>b. Targeting classification</p> <p>    <input type="checkbox"/> Targeted intervention</p> <p>    <input checked="" type="checkbox"/> General intervention</p> <p>c. Key thematic area</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Capacity development</td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Capacity development							
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> South Asia Transportation and Communications Division (SATC)</p>								
<p><b>5. Responsible ADB officer:</b> Dong-Soo Pyo, Principal Financial Specialist</p>								
<p><b>6. Description of assistance(s)</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b> ADB's country strategy and program update (2003–2005) indicated that ADB would help to rehabilitate important regional airports to promote the integration of remote regions and facilitate economic growth in such areas. The Regional Airports Rehabilitation Project was approved in 2004 as the first phase and focused on rehabilitating seven regional airports. This second phase will rehabilitate the remaining regional airports.</p> <p>b. <b>Goal and purpose:</b> To help the Government reconstruct and rehabilitate the country by rehabilitating regional airports damaged during two decades of conflict and consequent neglect.</p> <p>c. <b>Components and outputs:</b> (i) reconstruction of runways, taxiways, and aprons, (ii) reconstruction of runway strips, (iii) new construction or renovation of terminal buildings and ancillary facilities, (iv) purchase of</p>								

<p>air navigation equipment, (v) strengthening of capacity in the Ministry of Transport for civil aviation sector management.</p> <p><b>d. Rationale and purpose of ADF grant financing:</b> The project areas are remote and isolated areas where road transport is sporadic. By linking such areas to Kabul or major provincial cities, the project will have a huge poverty reduction impact. It will also help the Government to respond to natural disasters or other emergencies.</p> <p><b>e. Expected results and deliverables:</b> Rehabilitation of remote and small regional airports.</p> <p><b>f. Social or environmental issues or concerns:</b> Social and environmental impacts are minor as the project will rehabilitate existing airports with no major upgrades/expansion.</p> <p><b>h. Plans for disseminating results/deliverables:</b></p> <p><input checked="" type="checkbox"/> A conference/workshop/brown bag</p> <p><input type="checkbox"/> Publication of article(s) in external journals or books</p> <p><input checked="" type="checkbox"/> External press release to news agencies, including www.adb.org</p> <p><input checked="" type="checkbox"/> Internal press release in <i>ADB Today</i></p> <p><input type="checkbox"/> Others (specify) _____</p>	
<b>7. Proposed executing/implementing agency or agencies:</b>	Ministry of Transport
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b></p> <p>To support the achievement of the Government's civil aviation sector development plan, aid agencies are coordinating their efforts. ADB will provide assistance for rehabilitating domestic and regional airports, while the World Bank and the Japan International Cooperation Agency will support the upgrading of Kabul International Airport.</p>	
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: 2004</p> <p>b. Expected date of submission for approval</p> <p style="padding-left: 40px;">Lending: December 2006 (Standby) or June 2007 (firm)</p> <p style="padding-left: 40px;">Nonlending (project preparatory):</p> <p style="padding-left: 80px;">Nonlending (other than project preparatory):</p> <p>c. Period and duration of assistance(s)</p> <p style="padding-left: 40px;">Lending: 2.5 years</p> <p style="padding-left: 40px;">Nonlending:</p>	
<p><b>10. Financing Plan</b></p> <p>a. For lending</p> <p style="padding-left: 20px;"><input type="checkbox"/> Ordinary capital resources:</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Asian Development Fund (loan): \$20 million</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Asian Development Fund (grant): \$20 million</p> <p style="padding-left: 20px;"><input type="checkbox"/> Other:</p>	

If cofinancing is required, indicate amount and sources sought:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.