



# Asian Development Bank & Afghanistan

## FACT SHEET

**Table 1. Afghanistan: Development Indicators**

Non-MDG	
Population in millions	25.11 (2008)
Annual population growth rate (%)	2.1 (2006–2008)
Adult literacy rate (%)	28.0 (2000)
Percent of population in urban areas	23.7 (2007)
MDG	
Percent of population living on less than \$1.25 a day	...
Percent of population living below the national poverty line	...
Under-5 mortality rate per 1,000 live births	257 (2007)
Percent of population using an improved drinking water source	22 (2006)

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

Sources: ADB. 2009. *Basic Statistics 2009*. Manila.  
UNESCO. 2009. Institute for Statistics Data Centre.  
World Bank. 2009. World Development Indicators Online.

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.<sup>1</sup> 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 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 2008, Afghanistan has received cumulative loans of \$952.28 million since joining ADB. The country is ADB's 18<sup>th</sup> 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 2002 Tokyo Conference, ADB pledged loan and grant assistance of some \$500 million over

<sup>1</sup> 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.

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. 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 transport, and agriculture and natural resource management 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 financial, 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 have focused on rebuilding additional sections of the primary ring road (including the \$176 million Road Network Development Project approved in 2007), the rehabilitation of several regional airports, the construction of a 110-kilovolt power transmission network, and the rehabilitation or construction of associated substations and distribution systems. In 2006, the \$35 million Regional Power Transmission Interconnection Project was approved. The project will interconnect power grids in Tajikistan and Afghanistan, allowing Tajikistan to export surplus electrical power to Afghanistan. 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.

In 2008, ADB approved a \$570 million multitranche financing facility (MFF) for the Energy Sector Development Investment Program. The MFF will finance a range of power sector 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-to-Talaquan transmission line and NEPS distribution in Kunduz and Baghlan municipalities.

In 2008, ADB also approved a \$400 million MFF for the Road Network Development Investment Program. The MFF will finance improvements to some 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. The \$30 million Agriculture Market Infrastructure Project, also approved in 2008, will support the further development of Afghanistan's market infrastructure and the establishment of standards for Afghanistan's livestock and horticulture industries.

With respect to 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

Table 2. Afghanistan: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	...	...	...	...	...
GDP growth (% change per year)	8.0	16.1	8.2	12.1	3.4
CPI (% change per year)	...	12.3	5.3	12.9	28.3
Unemployment rate (%)	3.4	...	...	...	...
Fiscal balance (% of GDP)	-1.4	1.0	-2.9	-1.8	-4.1
Export growth (% change per year)	-13.2	9.2	0.9	1.3	17.5
Import growth (% change per year)	16.1	20.5	10.0	16.2	12.3
Current account balance (% of GDP)	-4.5	-2.8	-4.9	0.9	-1.3
External debt (% of GNI)	...	...	17.6	17.5	...

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

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila. ADB staff estimates.

Table 3. Afghanistan: 2008 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
–	60.00	3.00	266.00	329.00

– = nil.

Cumulative Lending (as of 31 Dec 2008) : \$952.3 million  
Cumulative Disbursements (as of 31 Dec 2008) : \$559.5 million

Table 4. Afghanistan: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% <sup>a</sup>
Agriculture and Natural Resources	8	167.80	17.62
Energy	3	70.50	7.40
Industry and Trade	1	5.70	0.60
Law, Economic Management, and Public Policy	1	48.00	5.04
Multisector	4	382.18	40.13
Transport and Communications	6	278.10	29.20
<b>Total</b>	<b>23</b>	<b>952.28</b>	<b>100.00</b>

<sup>a</sup> Total may not add up because of rounding.

Table 5. Afghanistan: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

	Number of Ongoing Loans (as of 31 Dec 2008)	
	2007 (\$ million)	2008 (\$ million)
Contract Awards/Commitments	121.9	53.2
Disbursements	95.5	51.8
Loans at Risk (%)	–	9.1

– = nil.

the Government establish a clear and comprehensive legal basis for private sector development.

ADB has provided significant private sector support to the Telecom Development Company of Afghanistan (Roshan). Following earlier investments, in 2008, ADB provided the company with an additional \$60 million private sector loan and a \$10 million political risk guarantee. With such support, Roshan has been able to expand its operations, now serving more than 2.5 million Afghan subscribers.

In addition, since 1969, ADB has provided \$65.65 million in TA grants to develop priority investment projects, as well as to support national capacity development.

In 2008, ADB approved a \$1.8 million project preparatory technical assistance (PPTA) to prepare a MFF investment program for water resources and irrigated agriculture. Also approved was a \$1.0 million TA to provide security-related advice and assistance to the Government, as well as to donors, financiers, and contractors of its ongoing projects. The TA also will provide guidance and oversight related to security standards and measures for government employees, contractors,

consulting firms, and nongovernment organizations working on such projects, including those financed by ADB.

## Future Directions

ADB's new Country Partnership Strategy (CPS), which covers the 2009–2013 period, continues ADB's previous 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 anticorruption in line with ADB's Second Governance and Anticorruption Action Plan (GACAP II). 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 also is 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, economic and social development.

Table 6. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008<sup>a,b</sup>

Country	No. of Projects	Total ADB Approvals (\$ million)
India	37	2,268
People's Republic of China	21	1,694
Indonesia	15	879
Philippines	28	768
Pakistan	27	721
Kazakhstan	5	550
Thailand	10	319
Viet Nam	8	305
Sri Lanka	13	280
Bangladesh	8	242
Afghanistan	6	208
Lao People's Democratic Republic	1	100
Other DMCs	13	87
Azerbaijan	4	66
Nepal	4	59
Regional	36	930

DMC = developing member country.

<sup>a</sup> 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.

<sup>b</sup> Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

Table 7. Afghanistan: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008

Contractor/Supplier	Sector	Contract Amount (\$ million)
Gulf Home Base JV	Transport and Communications	5.79
Omulblad Engineering Group (OEG)	Multisector	1.28
Brotheran Afghan Construction Company (BACC)	Multisector	0.85
Harirod Construction Company (HCC)	Multisector	0.73
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	0.35
Oxus Construction Company (OCC)	Multisector	0.25
Tolo Asia Construction Company	Multisector	0.21

## 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/](http://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

Table 8. Afghanistan: Top consulting firms involved in ADB loan projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
M/S FKH Geoeexpert Services	1	2.24
Alliott Gulf, Ltd.	1	0.00

\* Consultant may have one or more contracts within the period covered.

Table 9. Afghanistan: Top consultants (individual consultants and consulting firms) involved in ADB technical assistance projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual Consultants from Afghanistan*	67	1.34
Agency Coordinating Body of Afghan	1	0.38
Norwegian Church Aid – AFG	1	0.14
Nejat Center, Afghanistan	1	0.05

\* Consultant may have one or more contracts within the period covered.

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](http://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 2008, a \$10.0 million political risk guarantee (PRG) for the Roshan Expansion Project (Phase III) was approved. The PRG was, however, not made effective since the commercial lender subsequently decided to no longer avail itself of the PRG.

As of the year-end 2008, cumulative direct value-added cofinancing for Afghanistan amounted to \$109.6 million for six investment projects, and \$8.2 million for nine TA projects.

A summary of projects with cofinancing from 1 January 2004 to 31 December 2008 is available at [www.adb.org/Documents/Fact\\_Sheets/Afghanistan/cofinancing.asp](http://www.adb.org/Documents/Fact_Sheets/Afghanistan/cofinancing.asp).

As of 31 December 2008, 10,330 consultant contracts were awarded under ADB loan projects worth \$4.17 billion, of which two contracts were awarded to consultants from Afghanistan worth \$2.2 million.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB TA projects worth \$2.33 billion, of which 74 contracts were awarded to consultants from Afghanistan worth \$2.6 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](http://www.adb.org/Documents/Fact_Sheets/Afghanistan/procurement.asp).

## About Afghanistan and ADB

Afghanistan is the 31<sup>st</sup> largest shareholder among regional members and the 39<sup>th</sup> largest overall.

### ADB Membership

Joined	1966
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 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

## Contacts

### Afghanistan Resident Mission

126 Street 2, Haji Yaqoub Square Shar-e-Now  
P. O. Box 3070, Kabul, Afghanistan  
Tel +93 20 210 3602  
Fax +93 85 535 204  
[afirm@adb.org](mailto:afirm@adb.org)  
[www.adb.org/AFRM](http://www.adb.org/AFRM)

### ADB Headquarters

6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
Tel +63 2 632 4444  
Fax +63 2 636 2444  
[information@adb.org](mailto:information@adb.org)

### Ministry of Finance

Islamic Republic of Afghanistan  
Kabul, Afghanistan  
Tel + 93 20 210 3157  
Fax +93 20 210 3258  
[info@mof.gov.af](mailto:info@mof.gov.af)

### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Country website  
[www.adb.org/afghanistan](http://www.adb.org/afghanistan)

Asian Development Outlook  
[www.adb.org/Documents/Books/ADO/2009/AFG.pdf](http://www.adb.org/Documents/Books/ADO/2009/AFG.pdf)

Annual Report  
[www.adb.org/Documents/reports/annual\\_report/2008/](http://www.adb.org/Documents/reports/annual_report/2008/)