

AFGHANISTAN

REBUILDING A NATION

ADB President Unveils \$200 Million Package

Tadao Chino first multilateral development bank head to visit Kabul since Tokyo conference

KABUL, AFGHANISTAN

During a daylong visit to Kabul on 4 April, ADB President Tadao Chino unveiled a proposed \$200 million assistance package of reforms for Afghanistan's rehabilitation and reconstruction in 2002.

The package includes a special assistance loan for rapid-impact projects in the key areas of agriculture, education, and institutional capacity building.

"We will be proposing this package of assistance to our Board of Directors shortly and, with their support, hope to put it into effect as soon as possible," Mr. Chino said during his visit.

ADB is keen to see its assistance flow to Afghanistan as quickly as possible and understands the concerns of the Afghan leaders for an early commencement of international assistance in support of reconstruction and rehabilitation efforts, Mr. Chino said.

Mr. Chino met with leaders of the Afghanistan Interim Administration, including Chairman Hamid Karzai, to discuss ADB's role in supporting Afghanistan's reconstruction. "I held very fruitful and useful meetings with Chairman Karzai and other leaders, and indicated our commitment to play a key role in the international community's efforts to provide assistance for the massive reconstruction effort in Afghanistan," Mr. Chino said.

He also stressed that the rehabilitation,

reconstruction, and development efforts need to be placed within a coherent strategic framework. "This means we must define clearly the key strategic thrusts and the policy and institutional frameworks to support investments in Afghanistan's recovery and development," he said.

ADB is in the process of finalizing a 3-year strategy for Afghanistan, he added. Under this strategy, ADB assistance will focus on three key areas: basic education and social development; reconstruction of transport infrastructure; and agricultural development, with emphasis on rehabilitating irrigation infrastructure. ADB believes these areas are crucial to rebuild the country and reduce poverty.

ADB's proposed \$200 million assistance package for 2002 includes a special assistance loan to fund quick-impact projects in agriculture, the social sectors, roads and other physical infrastructure development, institution building, and credit delivery. The program includes three pilot projects in high-priority regions, including earthquake-prone areas. These projects will include the rehabilitation of roads, primary schools, and small- and

medium-scale irrigation systems. In addition, a \$15 million technical assistance grant will support capacity building in the Government by providing expertise to line ministries and the Afghanistan Assistance Coordination Authority. The flow of ADB's assistance will be facilitated by ADB's Special Liaison Office in Kabul.

Mr. Chino is the first head of a multilateral development bank to visit Kabul since the international community unveiled its assistance plans for Afghanistan's reconstruction. ■



Ed Haugh

CARING ABOUT HER FUTURE ADB assistance will focus on basic education and social development, reconstruction of transport infrastructure, and agricultural development ■

ADB Teams Assessing Needs

Missions to Kabul establish special liaison office and assess basic education needs

MANILA, PHILIPPINES

The Asian Development Bank has sent several teams to Afghanistan since the donors' meeting in Tokyo in January. The first was a five-member team on 1 February to prepare projects for reconstructing and rehabilitating Afghanistan. Mr. S. Hafeez Rahman, Director of ADB's South Asia Operations Co-

ordination Division and head of the team, said ADB will underscore the importance of leadership of the Afghanistan Interim Administration in all stages of reconstruction, from planning to implementation.

The team initiated a Comprehensive Needs Assessment for the country's reconstruction, which will be jointly conducted with the United Nations Development Programme and World Bank. The comprehensive assessment is a follow-up to a Preliminary Needs Assessment, which the three institutions presented to the Tokyo conference.

"We have waited for more than 20 years for the opportunity to resume operations in Afghanistan. We are delighted to discuss ADB's operations and programs not only with the interim administration but also with people who implement the reconstruction program," Mr. Rahman said.

During the weeklong visit, the ADB team conferred with high-ranking officials of the interim administration in areas including education, health, agriculture, and environ-

ment. The team also met with other development partners.

Additionally, ADB reached agreement with the interim administration on the opening of a special liaison office in Kabul. ADB staff members have since joined donor missions to Afghanistan to assess the country's agriculture, education, transport, and environment sectors. They have also participated in other missions on health, local governance and community development, energy, telecommunications, and urban water supply and sanitation. ■



MISSION POSSIBLE ADB's first mission team to Afghanistan in more than 20 years ■

Clare Wee

Ed Haugh



IN SESSION Teachers plan for school opening despite damaged facilities and no books ■

ADB to Play Crucial Role in Reconstruction



ADB

COMMITTED TO AFGHANISTAN ADB will play a crucial role in the rehabilitation and reconstruction of Afghanistan, President Tadao Chino (center) told the International Conference on Reconstruction Assistance to Afghanistan, held in Tokyo on 20-22 January 2002. He is shaking hands with Hamid Karzai, Afghanistan's Interim Leader (right), and Haji Muhammad Mohaqqeq, Deputy Chairman, Afghanistan Interim Administration and Minister of Planning ■

FACTS: ADB AND AFGHANISTAN

- ADB MEMBERSHIP: 1966
- FIRST LOAN: 1970
- ASSISTANCE SUSPENDED: 1979 following the Soviet occupation
- TOTAL ASSISTANCE: Nine loans totaling \$95 million (all from the Asian Development Fund) and technical assistance grants totaling \$2.5 million
- TOTAL PRINCIPAL OUTSTANDING: \$27.7 million
- TOTAL ARREARS: \$15.3 million
- ADB's IMMEDIATE FOCUS: rehabilitating irrigation systems and roads and restoring basic education
- ADB PROPOSED ASSISTANCE: In the order of \$500 million over 2.5 years as ADF loans and grant assistance
- TRUST FUND: ADB is playing a key role in launching and managing the Afghanistan Reconstruction Trust Fund

■ MORE FACTS: Go to the ADB web site at <http://www.adb.org/Afghanistan>

Source: ADB Annual Report 2001

QUESTIONS & ANSWERS

When will ADB's program of assistance to Afghanistan start?

ADB has been at the forefront of efforts since November 2001 to develop and coordinate an assistance program for Afghanistan. We started providing assistance in April.

What is ADB's overall view on the process of reconstruction and rehabilitation for Afghanistan?

ADB is working closely with the United Nations Development Programme, World Bank, stakeholders, nongovernment organizations, and other multilateral and bilateral development partners to complete a Comprehensive Needs Assessment for Afghanistan's recovery and reconstruction, as agreed at the Tokyo Conference in January. ADB is working closely with the relevant ministries in the Interim Administration and the Afghanistan Assistance Coordination Authority. ADB is leading work in four areas—agriculture, education, transport, and environment. We hope to complete our work by mid-May.

The Comprehensive Needs Assessment follows on from the Preliminary Needs Assessment, which outlines a development approach that will serve to guide investments in the rehabilitation and reconstruction of Afghanistan.

There are four key components to this approach: putting Afghan men and women in the driver's seat to ensure that their vision guides this entire process; building capacity to put the policy and institutional framework in place before undertaking major investments in reconstruction to ensure the sustainability of investments; supporting community-driven development and local governance; and promoting social inclusion, particularly of vulnerable groups.

What other steps is ADB taking in its assistance to Afghanistan?

ADB is preparing an Initial Country Strategy and Program for the next 3 years (2002–2004). We hope to obtain the endorsement of this strategy and program from ADB's Board of Directors by mid-May. We have tentatively identified a program of about \$200 million in assistance for 2002, and similar levels of assistance for

2003 and 2004, to fulfill our pledge made at the Tokyo Conference of up to \$500 million over the next two and one-half years.

Can you give us details of this \$200 million program for 2002?

First, ADB is placing senior experts at the disposal of the Ministry of Finance and the Afghanistan Assistance Coordination Committee to work with these agencies and strengthen their capacity. Second, ADB is processing a \$15 million technical assistance grant for capacity building that will provide expert support to build capacity in key line ministries. Third, in consultation with the ministries concerned, ADB is preparing three small-scale grants to support the construction of rural access roads and the rehabilitation of school buildings and small- and medium-scale irrigation schemes. Finally, subject to confirmation from the Transitional Administration, ADB is prepared to provide a

special assistance loan for quick-impact projects in agriculture, the social sectors, physical infrastructure development, institution building, and credit delivery. In response to the recent earthquake, ADB will also provide a technical assistance grant of \$500,000 to strengthen the institutional capacity to cope with natural disasters.

Is ADB considering debt relief for Afghanistan on outstanding arrears?

At this point, ADB is concerned more with immediate recovery and rehabilitation in Afghanistan, and will focus on assistance in grant form. The International Monetary Fund is leading the overall debate on debt relief worldwide. ADB will continue to participate in discussions on the question of debt relief, but at this point would like to separate those discussions from the more immediate question of assistance to Afghanistan. ■



Yuko Chino (x2)

DETERMINATION ADB President Chino recently visited an Afghan school where children are studying in a roofless shell of a building

Afghan Economic Outlook

Afghanistan's economy is poised to grow but still faces many devastating obstacles

Following large financial commitments from the international community, Afghanistan's economy is poised to pick up momentum over the medium term but must overcome daunting obstacles in the short term, according to the *Asian Development Outlook 2002*.

The ADO, an annual publication analyzing and forecasting economic trends, notes that deflation and the devastation of physical and social infrastructure have been wreaking havoc in the country until recently. The events of 2001 were the culmination of a period of hostilities in the country, ongoing since 1979, that destroyed social and economic structures.

Many cities have been reduced to rubble, and the makings of a formal economy beyond subsistence farming and animal herding are all but nonexistent. The majority of the population is extremely poor, lacking food, clothing, housing, and medical care.

Afghanistan today has the highest infant, child, and maternal mortality rates, and the lowest literacy and life expectancy rates in the world. It also has the highest proportion of disabled people.

The ADO says that disruption to transport and communications has fragmented the economy and society. The severe drought over the last 3 years, coming on top of the hostilities, has reduced food availability. There is evidence of widespread famine conditions and forced sale of livestock.

Prior to the recent conflict that ousted the Taliban regime, an ADB estimate placed Afghanistan's per capita income at \$300 for a population of 23 million. However, recent estimates put it at only \$200.

According to latest estimates, the bulk of national production consists of agricultural and forestry (53%), followed by mining and light industry (28%), trade (8%),



NEW SCHOOLS NEEDED ADB Project Economist Leah Gutierrez in an empty school (above); ADB is prioritizing basic education so children like this boy (below) can return to classes ■

construction (6%), and transport and communications (5%). These estimates exclude illegal cultivation of poppy and the production of narcotics, known to be major sources of income.

Agriculture is the mainstay of the economy, and its restoration over the medium term will be difficult. Extensive demining and rehabilitation of irrigation systems will have to be combined with livestock extension and repairing the road system.

Afghanistan has large hydrocarbon resources, both oil and gas. With the restoration of peace, there are good prospects for the resumption of hydrocarbon exploration as well as the transit flow of oil and gas to India and Pakistan.

The ADO says that rehabilitation programs will be needed to restore transport, power, and communications systems. The country has roads totaling 21,000 kilometers, of which only 13% are paved. There are 50 airports but they have suffered from hostilities and aerial bombardment.

The telephone and telegraph network has been destroyed and will have to be rede-



Clare Wee

veloped. Similarly, power generators and transmission systems are heavily damaged.

Following the collapse of the Taliban regime, the Afghanistan Interim Administration discovered that the treasury was virtually empty. The budgetary system is now being restored with assistance from the International Monetary Fund and United States Treasury as part of the efforts to establish a macroeconomic framework, restore the revenue system, and enable the country to qualify for substantial foreign aid. ■

Estimates put the per capita income at only \$200 for a population of 23 million

To read more, go to <http://www.adb.org/Documents/Books/ADO/2002>