

ADB

Development
Effectiveness
Brief

Afghanistan ▶

Modernizing Asia's Crossroads



Asian Development Bank



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Contents

Afghanistan and ADB: A Partnership for Stability	1
ADB's Contribution to Development and Poverty Reduction	4
Transport: Paving the Way Forward	5
Telecommunications: An Information Revolution	7
Energy: Bringing Power to the People	9
Irrigation: Lifelines for Agriculture	11
The Private Sector: Creating a Land of Opportunity	12
Operational Effectiveness: Improving Efficiency and Performance	14
Future Challenges	16

Afghanistan

Development Indicators

Item	2009
Non-Millennium Development Goals	
Population (million) (2009)	25.5
Annual population growth rate (%) (2007–2009)	2.0
Adult literacy rate (%) (2000)	28.0
Millennium Development Goals	
Population living below national poverty line (%) (2007)	42.2
Under-5 mortality rate per 1,000 live births (2008)	257.0
Population using an improved drinking water source (%) (2006)	22.0
Income and Growth	
GDP per capita (\$, current)	418.8
GDP growth (% , in constant prices)	3.4
Savings and Investment (current and market prices, % of GDP)	
Gross domestic investment	32.0
Gross domestic savings	30.4
Money and Inflation (annual % change)	
Consumer price index (period average) ^a	26.8
Broad money	65.0
Government Finance (% of GDP)	
Domestic revenues and grants	15.6
Expenditures	19.3
Overall balance ^b	-3.7
Balance of Payments	
Merchandise trade balance (% of GDP)	-55.8
Current account balance (% of GDP)	-1.6
Merchandise export growth (annual % change)	13.5
Merchandise import growth (annual % change)	10.4
External Payment Indicators	
Gross international reserves (\$ million)	3,479.0
(in months of merchandise imports)	4.8
Total debt service (% of exports)	1.2
Total external debt ^c (% of GDP)	19.4
Memorandum Items	
GDP (current prices, million afghanis)	600,493.0
Exchange rate (afghanis/\$, period average)	51.0

GDP = gross domestic product.

^a Kabul only.

^b Including grants.

^c After relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative, as well as debt relief beyond the HIPC Initiative from Paris Club creditors. Debt includes obligations to the International Monetary Fund. The debt stock includes the capitalization of interest to Paris Club creditors until completion point of the enhanced HIPC Initiative.

Sources: *Asian Development Bank and Afghanistan Fact Sheet, 2009*; *Asian Development Outlook Update 2010*; *IMF World Economic Outlook*; *IMF Country Report No. 10/22* (January 2010).

Afghanistan and ADB: A Partnership for Stability

Nestled in the remote peaks of the Hindu Kush, Afghanistan is one of the poorest countries in Asia and the Pacific. Life can be hard for ordinary Afghans, who lack access to basic services and endure low rankings on many Millennium Development Goals.

Despite significant development gains since 2001, Afghanistan still faces many problems, including a bloody insurgency. Weak governance, inadequate health care, and rampant gender inequality are serious issues. With few jobs and endemic poverty, two-thirds of the population live below or just above the official poverty line.

Yet, standing at the crossroads of Asia, Afghanistan has a proud history of commerce and culture, with flashes of vibrant modernization in its major cities. The government and the international community are working together to build a democratic

state, modern infrastructure, sound basic services, good governance, and efficient institutions.

Afghanistan was a founding member of the Asian Development Bank (ADB) in 1966. In 1989, the outbreak of civil war forced ADB to suspend its operations, but these resumed in 2001. Since the start of the partnership over 40 years ago, ADB has provided Afghanistan with \$2.1 billion in loans, grants, guarantees, technical assistance, ADB-administered cofinancing, and private sector investments. Afghanistan is ADB's 18th-largest borrower and ADB is the country's 4th-largest lender. All loan

ADB has provided Afghanistan with \$2.1 billion in loans, grants, guarantees, technical assistance, ADB-administered cofinancing, and private sector investments

ADB Loan, Grant, and Technical Assistance Portfolio in Afghanistan

	1968–2003	2004	2005	2006	2007	2008	2009	as of September 2010
Approvals (\$ million)	440	179	230	220	179	255	335	1
- ADF loans	412	170	122	113	–	–	–	–
- ADF grants	–	–	100	100	176	254	333	–
- TA projects	28	9	8	7	3	1	1	0.925
Contract Awards (\$ million)	138	99	98	44	213	91	231	45
Disbursements (\$ million)	185	43	24	67	130	69	121	185
Disbursement Ratio ^a (%)	47.4	18.4	7.5	17.2	20.9	13.5	22.9	21.3

– = not available, ADF = Asian Development Fund (concessional loans and grants), TA = technical assistance.

^a The ratio of total disbursement in a given year over the net loan amount available at the beginning of the year, plus loans that have become effective during the year, less cancellations made during the year.

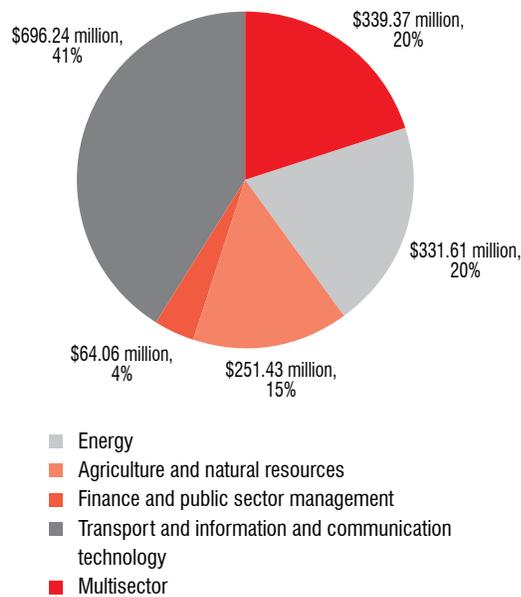
Source: ADB.



ADB power projects have ended night-time blackouts in Kabul.

**ADB Loan and Grant Assistance to
Afghanistan**
(as of 30 September 2010)

Total = \$1,683.31 million



Source: ADB.

support from ADB is through its concessional Asian Development Fund.

Once significant international engagement resumed with Afghanistan in late 2001, ADB, the United Nations, and the World Bank helped the government with investments to rehabilitate basic infrastructure and services. ADB financing extended since then includes the Post Conflict Multisector Program for \$167.18 million, approved in 2003, to improve governance and strengthen the transport, energy, and finance sectors. The \$150 million Emergency Infrastructure Rehabilitation and Reconstruction Project followed, mainly to rehabilitate 447 kilometers (km) of a section of the so-called "ring-road." The road is now boosting commerce, improving communications, and changing lives. Subsequent grants were provided to rehabilitate several regional airports, build Afghanistan's first railway line, improve and maintain more than 1,500 km of paved roads, and connect the Afghanistan, Uzbekistan, and now Tajikistan power grids. All these measures for reconstruction and stability



The Hairatan railway line increases connectivity, improving the lives of millions.

are, first and foremost, ways to slash poverty and improve living conditions for the millions they have reached.

ADB's country partnership strategy, 2009–2013, continues ADB's focus on energy, transport, and irrigation as the government has requested. Support will include capacity and institutional development and attention to sector governance, especially public financial management, procurement, and anticorruption measures. The country partnership strategy is fully aligned with the Afghanistan National Development Strategy, and seeks to reduce poverty, ensure sustainable development through a private sector-led market economy,

improve human development indicators, and make significant progress toward achieving the Millennium Development Goals.

Regional cooperation is a priority for the government and ADB. Afghanistan is one of the most active members of the Central Asia Regional Cooperation (CAREC) Program, which invests in transport, energy, and trade facilitation. Most infrastructure projects in Afghanistan have high regional cooperation content. Afghanistan is becoming a transit country for others. The recent accession of Pakistan to CAREC adds value not only to the program but also to Afghanistan and the region.

ADB's Contribution to Development and Poverty Reduction

The numbers speak for themselves. The 447 km of road in seven northern provinces alone have improved living conditions for no fewer than 9 million people. And it's hard to overestimate the importance of the 61-km road linking Kandahar City, the de facto capital of southern Afghanistan, with Pakistan via the border crossing of Spin Boldak, especially given the slow pace of progress that this part of Afghanistan has seen in the face of insurgency. The area lining the road is now one of the most stable in the south.

The Mazar-e-Sharif-to-Hairatan road, an ADB project, has halved travel time, keeps down vehicle repair costs, and encourages small businesses and trade.

Canal refurbishments in the Balkh River basin have increased fertility across 16,000 hectares (ha) of arable land spread among 30,000 farms, boosting the incomes of about 200,000 people. The telecommunications sector is a runaway success, with millions of Afghans turning to it in an information revolution that is transforming the way people do business, study, provide health care, engage in politics and pay salaries. It's the most dramatic but certainly not the only example of the emergence of a private sector to be reckoned with—banks, airlines, media conglomerates, and construction companies, to name a few.

The 443 km of power lines connecting the capital, Kabul, with Uzbekistan's electricity grid have led to not just the end of daily power cuts for 3 million users, with 240,000 electricity contracts among them, but also the revival of economic activity. Travel times have

Development Outputs from ADB-Supported Projects in Afghanistan

Sector	Outputs Achieved 2009
Energy	
Transmission lines installed or upgraded (km)	482
Transport	
National highways, provincial, district, and rural roads built or upgraded (km)	447
Beneficiaries of road projects (number)	9,000,000
Water Supply and Sanitation	
Land improved through irrigation services, drainage, and flood management (hectares)	100,000

km = kilometers.

Source: ADB.

fallen. International trade is up. New businesses are opening. And this is just the start—far more is now under way, bringing prosperity and progress to millions of people across the country. Afghanistan is becoming a true transit country between the north and south.

The Mazar-e-Sharif-to-Hairatan road, an ADB project, has halved travel time, keeps down vehicle repair costs, and encourages small businesses and trade



The ADB-financed Mazar-e-Sharif-to-Hairatan road repair project has reduced vehicle maintenance costs.



A gasoline station and truck stop on the Mazar-e-Sharif-to-Hairatan road are among the many small businesses that have benefited.

Transport: Paving the Way Forward

Reconstructing and rehabilitating the road network is the top development priority for the government, which believes highways are one of the best ways of unifying the country physically and politically. They also boost international connectivity, which increases international and domestic trade.

At the end of 2001, more than 90% of the transport system was in poor condition. In recent years, however, donor assistance has improved key transport infrastructure, particularly regional and national roads. By the end of 2008, some 86% of the regional road network was operational, with the remainder to be completed by 2010. Work was under way or funding confirmed for the remaining regional roads, with the exception of a 50 km section east of Herat. The improved roads include almost 2,100 km (63%) of regional roads; 650 km (14%) of national roads; and 6,000 km (22.5%) of provincial and rural roads. The rehabilitation of the road network has helped link the country and revived economic growth.

Since 2002, ADB has approved more than \$600 million for transport and communications, largely for road infrastructure. This amounts to more than 40% of ADB's overall assistance to Afghanistan and some 25% of total donor

financing for regional and national roads. ADB has also invested heavily in the nonphysical aspects of transport, including extensive capacity development and training assistance to the Ministry of Public Works and the Ministry of Transportation and Communications. Afghanistan has first signed this historic cross-border trade agreement with Pakistan.

Running fuel from the Uzbek border to Kabul used to be a painful prospect for Abdul Wahid, a 28-year-old truck driver. The journey took 24 hours, and all his profit went on truck repairs.

"We had to stop at night and we spent everything on maintaining our vehicles. We were always getting punctures. Those I could fix. But for most other problems I would have to call a mechanic," he said.

Wahid's fortunes changed once ADB-funded repairs to the road linked the border crossing of Hairatan with Afghanistan's main artery, known as the ring-road, and the capital, Kabul. Travel

The rehabilitation of the road network has helped link the country and revived economic growth. ADB has approved more than \$600 million for transport and communications, largely for road infrastructure



The ADB-funded Mazar-e-Sharif-to-Hairatan road project saw travel times halved for truck drivers like Abdul Wahid, bringing increased income.

time was halved and business improved. Soon he was bringing in almost \$1,000 a month.

That was when he got married.

“We paid for our wedding with my lorry,” he said. “When the road fell into disrepair we spent all our money on maintaining our vehicles. Now we can spend the money on other things—family, education, health care.”

The ring-road links the four largest cities and runs within 30 miles of 60% of the population. The investment has brought vast benefits, including jobs for many laborers over 5 years. More important, trade has increased. At one intersection traffic leapt from 1,504 vehicles a day in 2003 to 2,200 5 years later.

Farmers can get perishable goods to market more easily. There is even something of a boom for female carpet weavers now that they can sell their wares more widely. New service stations, restaurants, cafés, and convenience stores have opened up along the roadside. Zabiullah, a 23-year-old selling biscuits, soft

drinks, and cigarettes to passers-by, said life has improved dramatically since he opened his stall. He makes 2,000 afghanis (\$46) each week. He used to make less than a quarter of that in the days before the road was refurbished.

“I’m the breadwinner and spend everything on my family—rice, beans, peas, oil, tomatoes, potatoes, washing powder,” he said. “A year ago I couldn’t afford this. Now I can.”

Amir Emiri, a 27-year-old taxi driver, recalls when the border town of Hairatan was so small you knew everyone. “But in the years of strife, the road fell into disrepair. It was broken. Sand covered the road. Rain washed parts of it away, and heavy trucks damaged the asphalt. Now it’s smooth. This is good for my business.”

Depending on the security situation, it will take at least 3 years to complete 220 km still

The ring-road links the four largest cities, and ADB-funded repairs have brought vast benefits

missing in the western part of the ring-road, but users are already benefiting as transport costs plummet and travel times are cut by half. The ring-road not only links Afghanistan with Uzbekistan but also with Pakistan, Tajikistan, and Turkmenistan. It is a government and ADB priority project.

For Emiri, the road has meant the chance to trade in his old Vulga Moscovic for a new Toyota Corolla. At a taxi rank where street vendors grill catfish for travelers, he said the place is unrecognizable to anyone who had lived here a decade before. "Ten years ago the border was closed, few people lived here and the situation was difficult. Now I drive to [the provincial capital] Mazar-e-Sharif six times a week. You cannot imagine what this has done for my family."

The road is a major component of a transport corridor linking Afghanistan to Central Asia and beyond. It is a feature of CAREC, a way to make Afghanistan a true transit country for north-south and east-west trade. Together with the railway line from Hairatan to Mazar-e-Sharif, the road represents history in the making.

Telecommunications: An Information Revolution

The explosive growth of telecommunications since 2001 is a slice of good news like no other. Ravaged by conflict, the country had barely any fixed telephone lines following the fall of the Taliban. This, combined with the poor roads, harsh terrain, and limited postal service, made communication difficult at best, nonexistent at worst.

A cellular telecommunication revolution has propelled the sector into the 21st century.

The country's largest telecommunications operator, and its over 3.2 million subscribers, have benefited from \$130 million in loans from ADB



With increased income and more customers since the Mazar-e-Sharif-to-Hairatan road was repaired, cab driver Amir Emiri has been able to buy a new taxi.

The boom in cellular telephony lets families displaced by conflict keep in touch, connects buyers and sellers, and brings cash transfers and information to far-flung communities, allowing them to engage with their country's politics and economy. Doctors in isolated villages can even discuss diagnoses with specialists far away, transmit data, and dramatically improve the medical care they provide.

"The development impact of mobile phones has spread across the country and through all levels of society," Craig Steffensen, ADB's country director for Afghanistan, has said. "Having access to cash, information, and knowledge is as critical for the education of the young—almost half the population is under 15—as it is for the social development of women."

Roshan has been able to expand its network infrastructure nationwide and improve its range of services at the same time as lowering costs, increasing accessibility to the poor

Leading the charge has been the Telecom Development Company Afghanistan—known as Roshan—the country's largest telecommunication operator, with over 3.2 million subscribers, and the beneficiary of \$130 million in loans from ADB. Thanks partly to this cash injection, the company has been able to expand its network infrastructure nationwide and improve its range of services at the same time as lowering costs, increasing accessibility to the poor.

Among the services it has pioneered is an easy, safe, cost-effective way of transferring funds by cellphone, whether as salary disbursements or microfinance loan repayments.

Roshan directly employs some 1,000 people, of whom about 220 are women. It sets up women-only public call centers, ensuring that women are comfortable using the facilities. It is piloting a system that provides farmers with market prices. Cellphone tower by cellphone tower, and innovative service by innovative service, the company is revolutionizing the communications network.



Cellular phone towers in Kabul. 3.2 million subscribers have lower bills and improved service resulting from \$130 million in ADB loans to the country's largest mobile phone operator.



An ADB-funded power project brings electricity on 443 km of transmission lines from Uzbekistan to light the lives of over 2.5 million residents of Kabul.

Energy: Bringing Power to the People

The government's aim to drive economic growth with private investment needs long-term reliable, affordable energy. The government's strategy is to deliver it efficiently; protect consumers, workers, and resources; encourage legitimate private investment; diversify energy resources to ensure energy security and encourage clean energy use; and identify and support comprehensive system-based master planning across all energy subsectors.

ADB concentrates on rehabilitating power substations, distribution systems, and power transmission lines; making electricity services more reliable and efficient; helping develop consistent policies for power regulation, tariffs, energy, and efficiency; establishing policies and purchasing agreements on importing electricity from neighboring countries; building capacity across the sector and encouraging private–public sector partnerships in projects; and promoting renewable energy sources.

The blackouts in Kabul were so bad in the years immediately after the fall of the Taliban that the minister for energy was known

around town as the “minister for darkness.” There was no national grid and the country's power infrastructure and supply chain—from generation, transmission, and distribution of power all the way through to household connections—were in terrible shape after 3 decades of war and insurgency.

In the words of Amradin Mohammad: “We had a lot of problems. Lack of electricity was one of the worst.”

Mohammad said the arrival of uninterrupted power along the transmission line from Uzbekistan “brought a huge change to everyone in Kabul.” Once electricity began flowing along 443 km of 220-kilovolt (kV) transmission lines across northern Afghanistan, over the backbone of the Hindu Kush and into the capital, he abandoned his job washing cars and set up shop as an electrical goods vendor. This has transformed his life and that of his family.

Surrounded by power boards, cables, and antennae, he explained how he's now taking

The construction of the power lines has had a huge impact on at least 2.5 million people's lives and, in all likelihood, far more



Business has been good for Amradin Mohammad's electronics business since 24-hour power has come to Kabul.

home as much as 10 times more money than he used to earn. His family of 12—mother, father, wife, and children—has electricity in the house. He said, "Electricity means life."

His house is larger now and he can afford better food for his family and to send his children to school.

The construction of the power lines has had a huge impact on at least 2.5 million people's lives and, in all likelihood, far more. That's just the number of Kabul residents and those close enough to the transmission lines to tap into the fledgling grid, who have more or less 24-hour power delivered to their homes.

The lines are now bringing 150 megawatts (MW) to Kabul and that will soon increase to 250 MW, improving the lot of millions more, whether they are in hospitals, schools, or factories. There are also offices and industrial plants in the northern city of Mazar-e-Sharif that depend on new 110 kV transmission lines that branch off the larger

set running to Kabul, and the 1.2 million people living in rural Afghanistan able to tap into the nascent grid. Factories are up and running after years lying dormant.

It's all in stark contrast to the situation in 2003 when there were just 230,000 electricity consumers in Afghanistan—about 1% of the population. Back then Kabul's ailing power system was supplied by four snow-fed hydroelectric plants that were so run-down they could crank out only about a third of their intended capacity. The number of Afghans connected to the grid has risen from 6% of the population in 2003 to 25% in 2010. A further expansion of the grid is on the way.

For students and teachers at the Rana Institute of Higher Studies in Kabul, besides the comforts that electricity brings—fans to keep cool, for example—the educational benefits are manifest. "We can watch the news on TV," said Hamidullah Dawadzai, a lecturer at the institute. The advent of reliable power "is affecting people's education enormously—the internet has connected them to the world. They learn so much more."

Most students now use laptops and classes are taught using PowerPoint presentations—unimaginable just a few years ago.

The 1.2 million people living in rural Afghanistan are able to tap into the nascent grid. Factories are up and running after years lying dormant



Reliable electricity in Kabul has improved study conditions for Storaifaqirzada Mohammad Amin, a business administration student at the Rana Institute of Higher Learning.

Storaifaqirzada Mohammad Amin, a 19-year-old student, said the 3 hours of power a day her family used to make do with just wasn't enough. "We were studying by gaslight, which was bad for our health. Electricity improved everything. We can use all sorts of technology."

Amin balances business administration studies with managing a nongovernment organization that aims to improve the lot of rural women. In times past, life "was very difficult, especially for girls in Afghanistan. Now we do not face the problems our mothers faced," she said. "I use the internet at the office and at home, especially for my studies at night—research about my subjects to gain more knowledge. There are still problems but it's better than it was and we're happier for it."

The additional power was also a prerequisite for economic recovery. Without it, manufacturing and trade cannot grow. The pylons striding

north toward the border have probably brought more to the country than anyone will ever be able to precisely quantify.

Irrigation: Lifelines for Agriculture

To ensure the well-being of rural communities and to integrate them quickly into the national economy, the government seeks to make agriculture more productive and commercially oriented and to increase off-farm jobs. ADB's Agriculture Sector Program (\$55 million, completed 2009) has helped reform policies and institutions, plan investment, remove impediments to private sector development, and make commodity markets more efficient. With support from the Japan Fund for Poverty Reduction, ADB has financed irrigation rehabilitation and water resource projects (Balkh River Basin Integrated Water Resources Management [\$12 million, of which \$10 million from the fund, approved 2003]) and the Afghanistan Rural Business Support project (\$18 million, approved in 2006). ADB has also supported institutional and capacity development.

In a country as arid as Afghanistan, the sound of running water means food. "Before the canal was made, the water flow was weak and we could barely grow anything," said Ehsanullah Shamzi, a young farmer with shy green eyes and a wispy moustache. He has just returned from a trip to the local bazaar where he sold 240 kilograms of grapes, tomatoes, and eggplants. It's twice what he would have been able to cultivate a year before, and he's earned 80,000 afghanis (\$1,860) for it.

The Emergency Infrastructure Rehabilitation and Reconstruction Project (\$170 million, completed

An ADB-funded project improved irrigation canals watering 30,000 farms in the Balkh River basin, boosting income for at least 200,000 people



In Dowlatabad, Balkh, farmer Ehsanullah Shamzi has doubled his income now that his fields receive more water thanks to an ADB canal project.

2009), through its irrigation component, improved irrigation canals watering 30,000 farms in the Balkh River basin in northern Afghanistan, boosting the income of at least 200,000 people (80% of people living in Balkh Province earn their income from agriculture). In some seasons, intensely irrigated areas in the lower reaches of the basin have now increased from 84,000 ha to 100,000 ha. Although a variety of factors such as fluctuating prices have ensured that food security still remains a problem for many, the foundation has been laid for the revival of agriculture.

For Shamzi, the improved canal system and corresponding increase in produce allow him to save money to get married and buy a house in which to raise a family. It also pays for him and his family to eat meat three or four times a week.

Although irrigation projects can stir up local grievances—rows over water distribution are

ADB has provided \$138.1 million in private sector loans, equity investments, and loan guarantees in banking and telecommunications

as old as Afghanistan—they're remarkably sustainable because of their importance to farming communities and a long tradition of maintaining the canals. After decades of war, though, the old system was crumbling, said Mohammad Azim, a 44-year-old sharecropper. "Some took more water, some took none. Now [that ADB has paid for refurbishments] it's more equitable."

The Private Sector: Creating a Land of Opportunity

The government wants to build a strong and stable environment that will encourage private investment—from domestic and foreign sources and the Afghan diaspora—especially in natural resources and infrastructure. ADB's support for this has come through its \$5 million investment in the Afghanistan Investment Guarantee Facility, the 2006 Private Sector and Financial Markets Development Program, and \$138.1 million in private sector loans, equity investments, and loan guarantees in banking and telecommunications.



Workers make footballs and other sporting goods at the New Afghan Itifaq Sports Company in Kabul, supported by the Afghanistan International Bank.

Amid a plethora of reforms that have steadily overhauled the finance sector in a bid to liberalize the economy and make the private sector a force to be reckoned with, one example stands out. The Afghanistan International Bank (AIB), the country's first private bank, has emerged as its strongest financial institution, consistently awarded the highest ratings by the central bank.

Established with ADB's backing, AIB focuses on helping small and medium-sized enterprises—whether family-run bakeries or one of the numerous logistics start-ups vying for business—as well as developing consumer and retail banking services. Stimulating the private sector doesn't just combat poverty but, by creating opportunities and work, it's also one of the most effective measures for dealing with instability.

Stimulating the private sector doesn't just combat poverty but, by creating opportunities and work, it's also one of the most effective measures for dealing with instability

Since its early days in 2003, AIB has more than tripled its capital and opened branches nationwide, with at least two dedicated credit officers in each provincial office and an ambition to have 28 branches open by 2013.

There have been other notable successes. Financial support to the tune of \$105 million has accelerated the growth and prowess of the civil service and government administration, whether that's monitoring public finances or using resources more efficiently. The tax system has been streamlined and rationalized, and accounting, budgeting, and auditing are better understood and practiced. Government staff recruitment, training, and retention have all improved.

Grants to develop the private sector as the main engine of economic growth totalled over \$60 million. The programs have improved legal and regulatory regimes and helped disengage the government from private business by liquidating state-owned enterprises. The emergence of AIB is a testament to the improved access to private finance.

Operational Effectiveness: Improving Efficiency and Performance

Because of the hiatus in ADB's engagement with Afghanistan while the country was consumed by civil war, most of ADB's projects are still under way. In 2009, the three completed projects were all rated successful. Afghanistan is an enormously challenging environment and fast

implementation is not easy. ADB is learning from its first generation of projects and is now introducing new and more-flexible approaches that are conflict-sensitive and responsive to changes in the security environment and project needs. These approaches are already yielding results.

ADB has successfully adopted flexible approaches that are conflict-sensitive and responsive to changes in the security environment and project needs

The approaches include "design-and-build" contracting with fixed time periods, but with premiums and penalties; independent supervision to check on quality, budgets, and changes in scope; faster decision making; and outsourcing of the procurement process. All



ADB's canal project in Dowlatabad, Balkh, irrigates crops and supports livestock.

funding by ADB still goes through the budget but implementation supervision is tighter. Each project has more detailed security plans, and all operations will in the future come with community funding to help create jobs in construction and maintenance.

The irrigation component of the Emergency Infrastructure Rehabilitation and Reconstruction Project was quickly processed after ADB resumed operations in the country. But then it needed time extensions to deal with design work and construction. Counterpart agencies had lost people and memory on both fronts, which could have been avoided if longer had been spent on the design. But as an emergency project, it provided value-for-money by using Afghan contractors to perform the work following competitive bidding. Poverty reduction, especially for farmers in downstream areas of the canals, is substantial. Implementation has been slow but the effort has yielded results.

Water allocation is also sensitive in the Balkh River basin since upstream farmers often took more water than their allocation and the downstream farmers demanded their fair share. The project staff was threatened and intimidated. The project partner also had problems maintaining international staff, partly because of a ban on certain citizens working in Afghanistan. Instead of the 2 years originally estimated for the project, the irrigation component took 5 years. Yet, northern Afghanistan's irrigation infrastructure is stronger now than 8 years ago, and the

foundation has been laid for a concerted effort to make food insecurity a thing of the past.

Road refurbishments have been some of the most efficient projects, with the flow of traffic increasing daily and related economic activity escalating continuously. Project costs can be triple or quadruple those in other countries because of insecurity and delays. Bureaucracy was also slow and restricted projects. The Mazar-e-Sharif–Hairatan railways project is already showing how projects can be done on time, within budget, and to high-quality standards. Ahead of schedule, the project is one of the best-performing in ADB's history.

Rehabilitation of the transmission lines is a success even though some project components were delayed or left unimplemented. The failure of other donor agencies to implement co-dependent projects has left the power system operating below capacity in some places.

The problems besetting Afghanistan make it a place where foreign staff tend to spend shorter stints than elsewhere. Turnover of staff disrupts project administration.

Afghanistan's irrigation infrastructure is stronger now than 8 years ago, and the foundation has been laid for a concerted effort to make food insecurity a thing of the past

Operational Effectiveness:
Improving Efficiency and
Performance

Future Challenges

The country is critically dependent on foreign aid, with more than 90% of the national budget taking the shape of foreign assistance.

Lessons learned from completed projects point to a deepening awareness of the realities of working in Afghanistan: projects may take longer than in other countries, implementing agencies may not always have sufficient capacity, and local politics and the increasing bureaucracy constrain ADB operations. But meaningful anticorruption measures are critical to the success of any development intervention.

A country with a long history of war requires a flexible approach to rehabilitation and reconstruction.

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Text by Julius Cavendish.

The cover shows pylons in north Afghanistan.

Cover photograph and photographs on pages 2, 5–14 by Jason Howe. Photographs on pages 3 and 16 by Ash Sweeting.

For more information, please visit www.adb.org/Afghanistan/ or contact Robert Gordon Rinker, country director, Afghanistan Resident Mission (rgrinker@adb.org).
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The Hairatan railway linking Afghanistan and Uzbekistan has improved regional connectivity and trade.

Development Effectiveness Brief: Afghanistan

As Afghanistan's fourth-largest donor, the Asian Development Bank (ADB) has helped stimulate the economy, drive through critical reforms, and repair the country's shattered infrastructure. ADB suspended operations in the country in 1989 because of civil war, but returned in late 2001 and has provided \$2.1 billion in loans, grants, guarantees, and technical assistance. ADB has concentrated its loans and grants in energy, transport, irrigation, agriculture, governance, and finance. ADB has used private sector support to help invigorate banking and telecommunications

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.