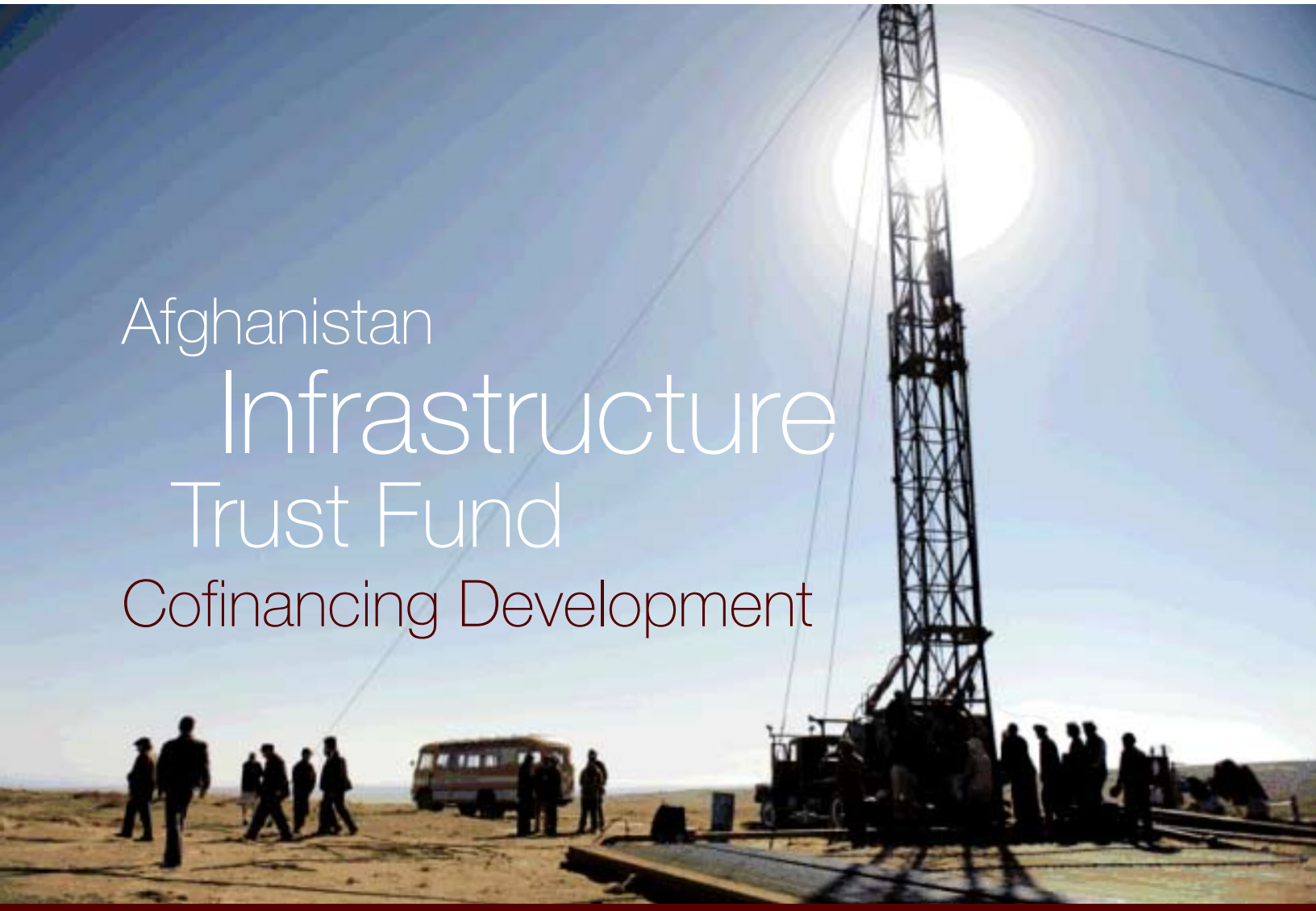
ADB



Afghanistan Infrastructure Trust Fund

Cofinancing Development

Asian Development Bank

The Asian Development Bank in Afghanistan

Afghanistan is the poorest country in Asia and the Pacific, a fragile state, and a weak performer. It is struggling to improve its human resources, infrastructure, institutions, governance, and security. The cycle of fragility and insecurity can be broken by sustained development.

Afghanistan is a founding member of the Asian Development Bank (ADB). After a hiatus from 1989 to 2002, ADB resumed its partnership with the government, with most assistance classified as core poverty interventions. ADB has provided close to $2.9 billion in concessional loans, grants, and technical assistance. The current portfolio is $1.9 billion. Four multitranche financing facility projects under implementation are supplemented by cofinancing from the ADB-managed Afghanistan Infrastructure Trust Fund (AITF). At the Paris Conference (June 2008), ADB pledged $1.3 billion for projects, fully committed by 2012, and under the recent eleventh replenishment of the Asian Development Fund (ADF XI) has committed $1 billion more until 2018.

ADB projects are making a difference: they power cities, set up telecommunications systems, link the country to the region through railways and roads, and build water and agribusiness infrastructure. Almost all ADB funding is channeled through the government's core budget, using country systems and planning and approval procedures. Assistance is fully aligned with the Afghanistan National Development Strategy and the National Priority Programs.

ADB's Central Asia Regional Economic Cooperation (CAREC) Program supports transport connectivity, energy security, and trade facilitation, which speed up economic growth and reduce poverty. Regional cooperation is a priority in ADB's Afghanistan program, with many energy and road infrastructure projects having strong cross-border links.

ADB flagship projects include construction of the 75-kilometer (km) railway line between Mazar-e-Sharif and the Uzbekistan border, power transmission lines from Uzbekistan and Tajikistan, and the last section of the 233 km ring road from Qaisar to Leman (http://www.carecprogram.org/index.php?page=afghanistan).

By 2020, ADB aims to improve the lives of millions

Energy
- Expand grid supply to 50% of the population
- Increase the North East Power System's (NEPS) capacity to 1,000 MW
- Expand the NEPS network to 500 km
- Reduce system losses to 30%
- Produce 600,000 cubic meters more of gas per day

Transport
- Fully rehabilitate and maintain over 1,500 km of roads
- Cut intercity travel time by half
- Build and maintain 200 km of railway lines

Natural resources
- Increase agricultural productivity by 5%
- Improve irrigation systems serving more than 100,000 hectares
- Reduce essential food imports by 20%
- Rehabilitate 85% of irrigation and hydraulic structures

The Afghanistan Infrastructure Trust Fund

An out-of-the-box modality is critical to implement infrastructure projects and harmonize aid. The ADB-managed AITF pools donor resources to cofinance and complement ADB-assisted projects. It allows donors with a smaller footprint in Afghanistan to tap ADB's competitive advantage, technical expertise, and sound fiduciary arrangements in implementing large projects. AITF provides a mechanism for on-budget financing and alignment to government priorities. It accepts and administers bilateral, multilateral, and individual contributions.

AITF is envisioned to provide $500 million in pooled resources annually to "make things happen" with administrative efficiency, clear accountability, and visibility. AITF delivers finance in a user-friendly manner, while ensuring transparency, low transaction costs, and sound fiduciary arrangements.

The current contributors to AITF are the Department for International Development of the United Kingdom and the Japan government. AITF supports transport projects such as the Kabul–Jalalabad road, the ring road, and the railway from Mazar-e-Sharif to Andkhoy (http://www.carecprogram.org/index.php?page=afghanistan).

AITF ensures

- development effectiveness,
- efficiency,
- accountability,
- transparency, and
- visibility.

AITF supports roads (national, regional, rural, and urban); railways; airports; energy (generation, transmission, and distribution); irrigation and water resources management; and other infrastructure-related projects. The proposed investment must

- be consistent with government priorities, in line with the Afghanistan National Development Strategy and the National Priority Programs;
- be consistent with the ADB country partnership strategy; and
- promote development effectiveness, including government ownership, tangible results, sustainability, least-cost solutions, sound fiduciary management, administrative efficiency, and clear accountability.

AITF covers the cost of project development and execution, including all components, from detailed design to commissioning, supervision, monitoring, and reporting.

AITF promotes speed and quality

Project implementation has been slow mainly because of delayed procurement and weakness in addressing social safeguard issues The results: high costs, limited competition, poor quality, a discontented populace, and lackluster development effectiveness.

ADB's new approach uses turnkey contracts (fewer packages and lots), each backed up by fixed execution periods and the premiums and penalties needed to encourage speed, economy, efficiency, and quality. For a number of time-critical projects, including the rail project, the government delegated procurement of goods, works, and services to ADB, with rapid and cost-effective results. ADB and the government are discussing the benefits of outsourcing to professionals the contracting process (bidding, evaluations, and awards), payment certification, and project management (or supervision work), while government agencies focus on policy, strategy, planning, and oversight. The envisioned results are sound project management and strong fiduciary oversight.

Structure

Fund management

ADB manages the fund and processes all project proposals. ADB technical teams review proposals and oversee the execution of AITF-financed projects. ADB is fully accountable to its Management, Board of Directors, and AITF's contributors.

Project design and implementation

AITF-financed projects are designed, processed, approved, implemented, and administered in accordance with ADB policies, rules, procedures, and guidelines, including those relating to procurement, consulting services, social and environmental safeguards, financial management and reporting, disbursement, and anticorruption measures and governance. Arrangements for project accounting, auditing, close monitoring, and reporting are in place for all AITF-supported projects.

Reporting

ADB prepares semiannual progress reports on AITF performance, including activities, outputs, and outcomes of AITF against the design and monitoring framework. The reports are submitted to AITF financing partners.

Governance structure

The AITF financing partners and ADB meet semiannually to review the annual work program, progress in implementing it, AITF project performance, the project pipeline, and administrative matters.

Reporting

The financing statements of AITF for a fiscal year (ending 31 December) are audited by ADB-appointed external auditors. The audit report is shared with the financing partners at the earliest semiannual meeting following the audit and not later than 6 months after the fiscal year ends.

Afghanistan is highly dependent on foreign aid, with more than 80% of the national budget comprising foreign assistance. Projects may take longer than in other countries, implementing agencies may not always have sufficient capacity, and local politics and the bureaucracy constrain development operations. Meaningful anticorruption measures are critical to success. A country with a long history of war requires a flexible approach to rehabilitation and reconstruction.

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 projects.

Afghanistan has been a member of ADB since 1966 (share of subscribed capital is 0.034%), with full access to the Asian Development Fund on a 100% grant basis as a post-conflict developing member country, and with 99% cost-sharing in place. The country partnership strategy for 2009–2013 focuses on economic growth and supports energy, transport, and natural resource management.

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