

# **Asian Development Bank**

## **Assistance to Afghanistan**

### **Program & Pipeline**

### **Financing and Business Opportunities**

Pakistan & Afghanistan Summit

25 May 2011

Dubai

# AFG Assistance Overview

## Public Sector Financing

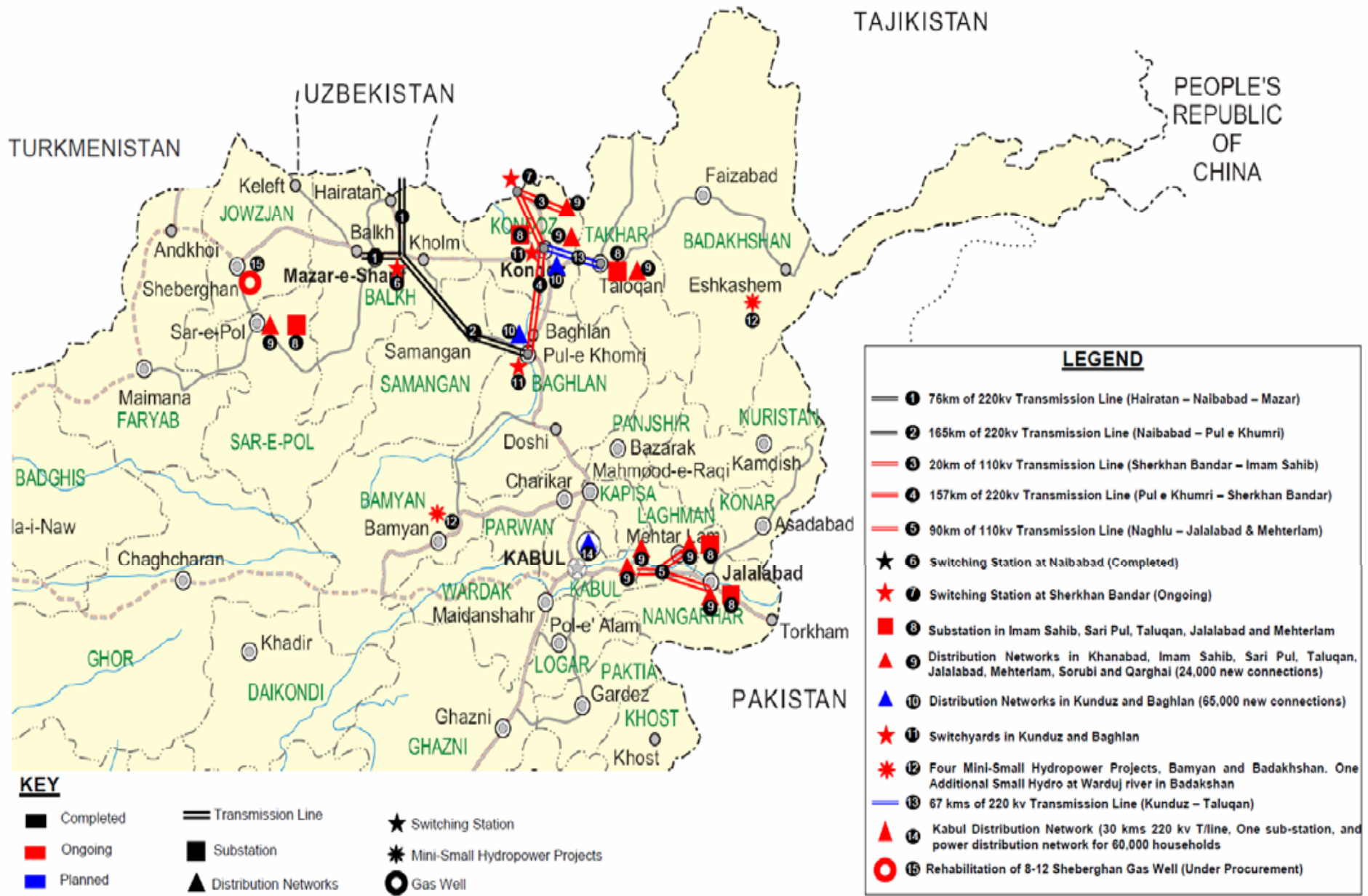
- Focus in Infrastructure – 3 Sectors
- Energy security, regional connectivity and integration, rural and agri development
- To date: \$2.4 billion since 2002 (90% grants and 10% interest free concessional loans)
- ADB fourth biggest after US, EC and Japan
- ADB's program fully aligned with Afghan National Development Strategy (ANDS) and National Priority Programs (NPP)

# AFG Assistance Overview

## Public Sector Financing

- **Energy** – (\$700 million) – power, gas
  - Uzbekistan imports; Tajikistan import; TAPI
- **Transport** – (\$1.1 billion) – ring and national roads, regional airports, railways
  - Hairatan-Mazar Rail, Ring Road
- **Natural Resources** -- (\$500 million) – irrigation infrastructure, agriculture, rural development
  - Rehab of irrigation systems in Northern provinces

# ADB Power and Gas Projects in Afghanistan As of February 2011



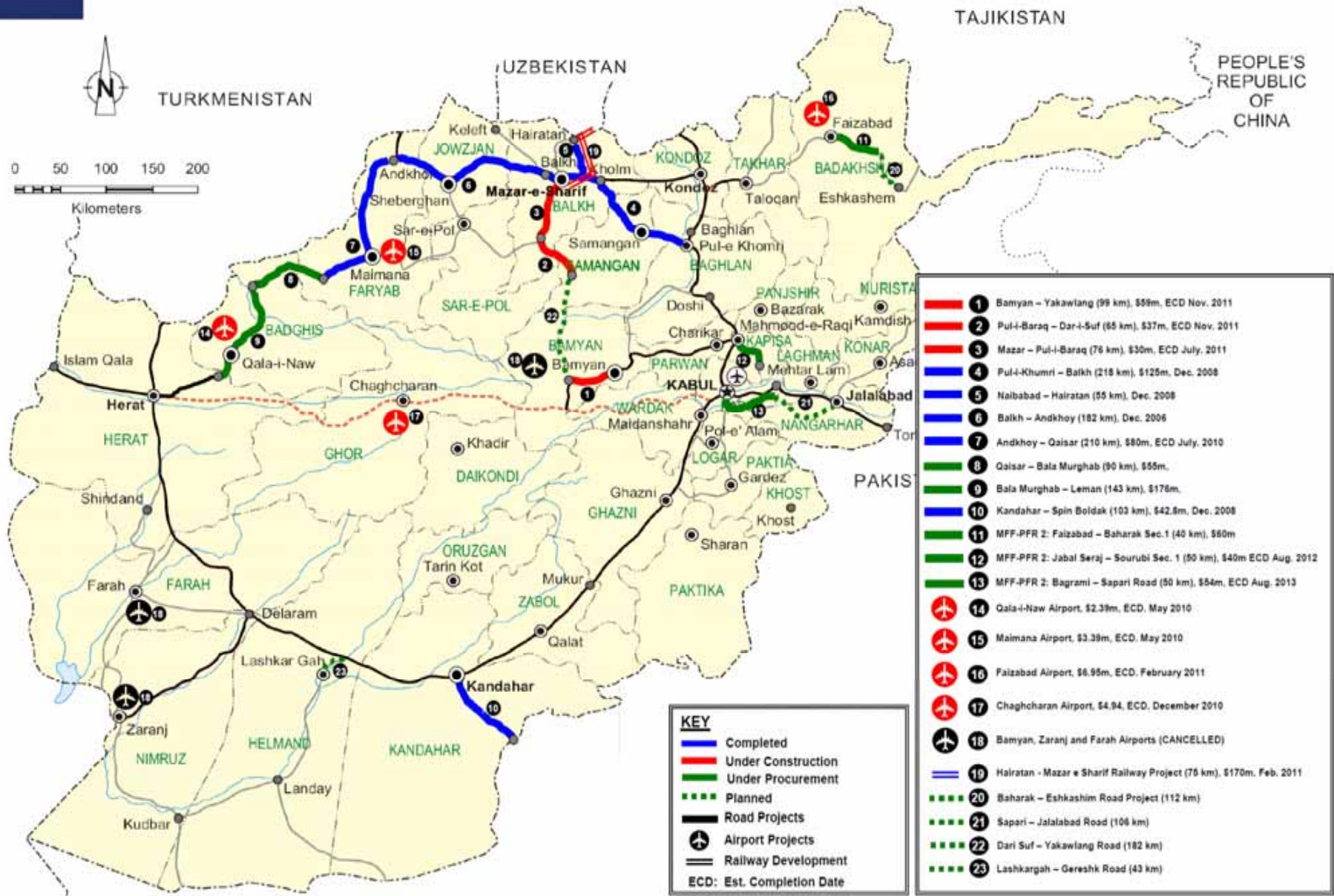
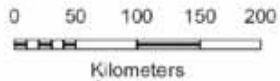
# Power Sector – Business Opportunities (2011-2014)

- Consulting – projects design, implementation and supervision contracts
- Contracting – civil and electro-mechanical works contracts
- Goods – supply contracts (vehicles, transformers, spares)
  - Transmission lines, distribution systems, mini hydro power plants, gas wells development

# Power Sector – Business Opportunities (2011-2016)

- Estimated new contracts -- \$500 million
  - North East Power System O&M Contract
  - Supply of Emergency Equipment
  - **T/Lines:** Kunduz –Taluqan, Sheberghan – Mazar,, Pul-Khumri-Kabul, Kabul-Logar
  - **Distribution:** Kabul, Sheberghan, Kunduz, Baghlan, Logar, Gardez
  - **Mini Hydros:** Baharak, Bamyan, Badakhshan

### ADB Roads, Airports and Railway Projects As of February 2011



**KEY**

- Completed
- Under Construction
- Under Procurement
- ⋯ Planned
- Road Projects
- Railway Development
- ✈ Airport Projects
- ECD: Est. Completion Date

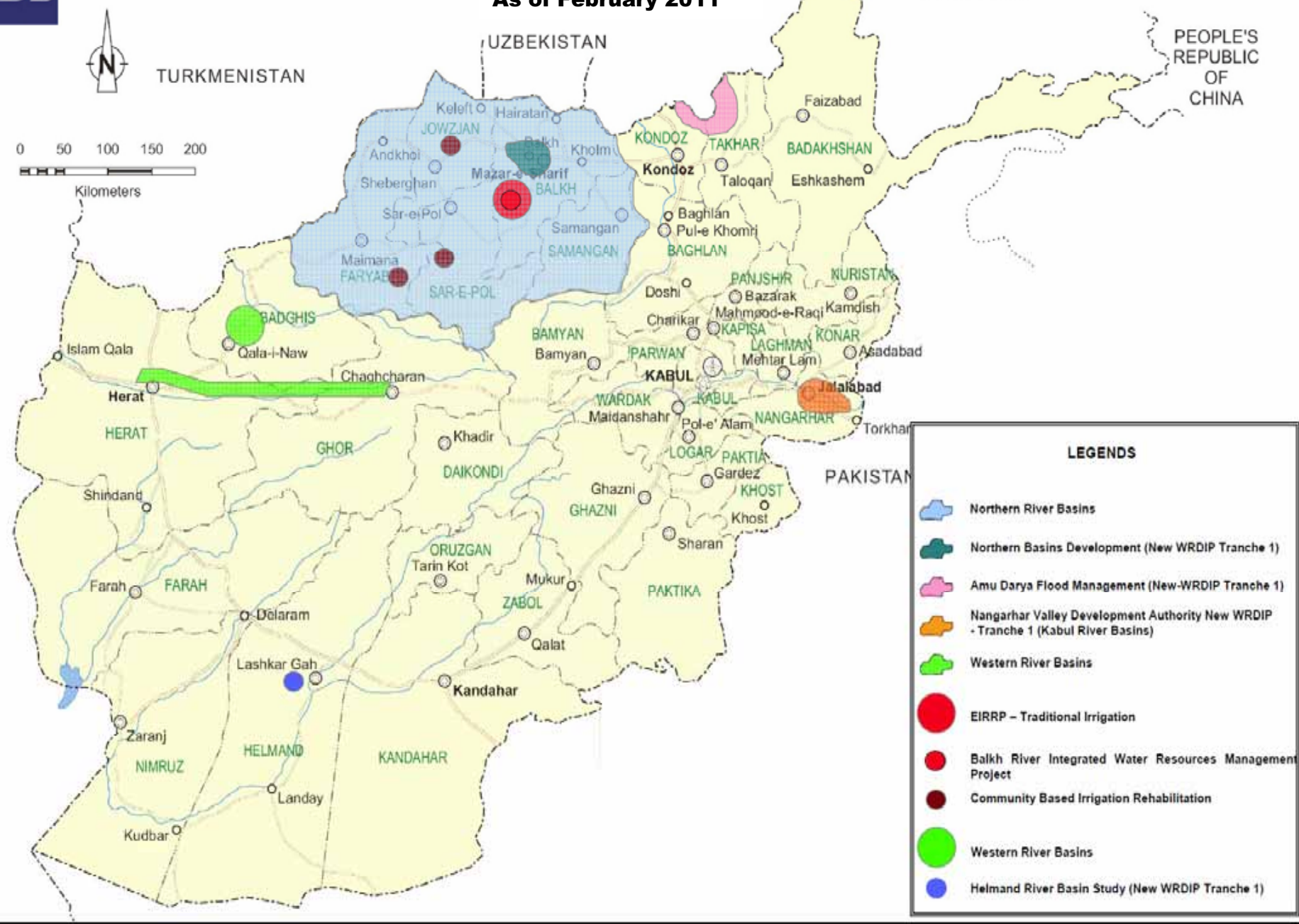
<span style="color: red;">—</span> 1	Bamyān – Yakawlang (99 km), \$59m, ECD Nov. 2011
<span style="color: red;">—</span> 2	Pul-i-Barāq – Dar-i-Suf (65 km), \$37m, ECD Nov. 2011
<span style="color: red;">—</span> 3	Mazar – Pul-i-Barāq (76 km), \$30m, ECD July, 2011
<span style="color: blue;">—</span> 4	Pul-i-Khumri – Balkh (218 km), \$125m, Dec. 2008
<span style="color: blue;">—</span> 5	Nalabād – Hairatan (55 km), Dec. 2008
<span style="color: blue;">—</span> 6	Balkh – Andkhy (182 km), Dec. 2006
<span style="color: blue;">—</span> 7	Andkhy – Qaisar (210 km), \$80m, ECD July, 2010
<span style="color: green;">—</span> 8	Qaisar – Bala Murghab (90 km), \$55m,
<span style="color: green;">—</span> 9	Bala Murghab – Leman (143 km), \$176m,
<span style="color: green;">—</span> 10	Kandahar – Spin Boldak (103 km), \$42.8m, Dec. 2008
<span style="color: green;">—</span> 11	MFF-PFR 2: Faizabad – Baharak Sec.1 (40 km), \$60m
<span style="color: green;">—</span> 12	MFF-PFR 2: Jabal Seraj – Sourubi Sec. 1 (50 km), \$40m ECD Aug. 2012
<span style="color: green;">—</span> 13	MFF-PFR 2: Bagrami – Sapari Road (50 km), \$54m, ECD Aug. 2013
<span style="border: 1px solid black; border-radius: 50%; padding: 2px; display: inline-block; width: 10px; height: 10px; text-align: center; vertical-align: middle;">✈</span> 14	Qala-i-Naw Airport, \$2.39m, ECD, May 2010
<span style="border: 1px solid black; border-radius: 50%; padding: 2px; display: inline-block; width: 10px; height: 10px; text-align: center; vertical-align: middle;">✈</span> 15	Maimana Airport, \$3.39m, ECD, May 2010
<span style="border: 1px solid black; border-radius: 50%; padding: 2px; display: inline-block; width: 10px; height: 10px; text-align: center; vertical-align: middle;">✈</span> 16	Faizabad Airport, \$6.95m, ECD, February 2011
<span style="border: 1px solid black; border-radius: 50%; padding: 2px; display: inline-block; width: 10px; height: 10px; text-align: center; vertical-align: middle;">✈</span> 17	Chaghcharan Airport, \$4.94, ECD, December 2010
<span style="border: 1px solid black; border-radius: 50%; padding: 2px; display: inline-block; width: 10px; height: 10px; text-align: center; vertical-align: middle;">✈</span> 18	Bamyān, Zaranj and Farah Airports (CANCELLED)
<span style="color: blue;">—</span> 19	Hairatan - Mazar e Sharif Railway Project (76 km), \$170m, Feb. 2011
<span style="color: green;">⋯</span> 20	Baharak – Eshkashim Road Project (112 km)
<span style="color: green;">⋯</span> 21	Sapari – Jalalabad Road (106 km)
<span style="color: green;">⋯</span> 22	Dari Suf – Yakawlang Road (182 km)
<span style="color: green;">⋯</span> 23	Lashkargah – Gereshk Road (43 km)

# Transportation Sector

## Business Opportunities (2011-2016)

- Consulting, Contracting & Supply Contracts (cement, steel, labor, bitumen, construction material)
  - Laskerghah– Gereshk (\$90 million)
  - Kabul – Jalalabad (\$250 million)
  - Yakawlang -Dara Sauf (\$120 million)
  - Faizabad - Eshkashem (\$200 million)
  - Railways (Mazar-Andkhoy)

# ADB Water Resource Projects As of February 2011



### LEGENDS

-  Northern River Basins
-  Northern Basins Development (New WRDIP Tranche 1)
-  Amu Darya Flood Management (New-WRDIP Tranche 1)
-  Nangarhar Valley Development Authority New WRDIP - Tranche 1 (Kabul River Basins)
-  Western River Basins
-  EIRRP - Traditional Irrigation
-  Balkh River Integrated Water Resources Management Project
-  Community Based Irrigation Rehabilitation
-  Western River Basins
-  Helmand River Basin Study (New WRDIP Tranche 1)

# Water and Agriculture Sector Business Opportunities (2011-2016)

- Consulting & Contracting Contracts (\$350 million)
  - Physical Rehabilitation and upgradation of existing irrigation and water resources infrastructure;
  - Development of new infrastructure for irrigation, flood management, and water resources management
  - Consulting support to develop and implement improved institutional frameworks and policies in Balkh, Takhar, Nangarhar, Helmand provinces

# ADB's Public Sector Funding Future Pipeline and Plans

- Continued assistance through existing multitranche financing facilities (2011-2016) & beyond
- ADB managed Afghan Infrastructure Trust Fund (AITF) to pool and co-finance resources from donors and commercial financiers to fund large infrastructure projects
- Focus to remain in infrastructure financing
  - Energy: Power, gas
  - Transport: ring and national roads, railways
  - Water/Agriculture: irrigation and agribusiness infrastructure
  - Sector reforms

# AFG Assistance Overview

## Private Sector Financing

- Focus in Infrastructure & Banking Sectors
- To date: \$208 million (equity and debt ) since 2002
- Energy – (\$8 million) – Sungas distribution terminal
- Telecom – (\$180 million) debt & political risk guarantees to Roshan telecom
- Banking – AIB (\$2.6 million equity), MISFA

## Challenges in Project Financing in AFG

- Missing legal and regulatory frameworks
  - security package for debtors
- Risk profiles of infrastructure projects
  - Mostly greenfield requiring supporting upstream and downstream infrastructure
- Low credit worthiness & exchange rates risks inhibiting long term debt finance
  - Quick payback/short term debt

## Challenges in Project Financing in AFG

- Limits of local financial markets/financial institutions
- Weak local partners
- Sponsors reluctant to make equity investments
- Way Forward: sector master planning, donor coordination, enhance risk mitigation and reform local markets

# Assistance Overview

## Private Sector Financing

- ADB Instruments:
  - direct financing (loans and equity)
  - credit enhancements (political risk and partial credit risk guarantees) to attract foreign and local commercial lenders
  - Not to crowd out but to encourage
- Tenor: 3- 5 years in AFG
- Max 25 -- 30 % debt or equity stake

# Public Private Partnerships

- AFG Infrastructure needs – public and private funding
- Work towards PPP policy – enabling environment and financing constraints
- Identification of potential success stories
  - ADB's public sector funds can fund public part
  - ADB's PSOD can mobilize equity and debt support (through A & B windows)
  - ADB's Office of Cofinancing can offer “political risk insurance coverage
  - ADB' regional experience
  - Management contracts – O&M

# Thanks

## Asad Aleem

Officer-In-Charge / Energy Specialist

Asian Development Bank – Kabul

[aaleem@adb.org](mailto:aaleem@adb.org)

[www.adb.org](http://www.adb.org)