

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. Persistent conflict and security challenges have inhibited development of energy infrastructure and human capacity in Afghanistan. The energy sector's performance is affected by technical, financial, and governance deficiencies and a lack of integrated energy planning. More than 65% of investments in the sector bypass the government's core budget and planning systems, leaving sector ministries and agencies with limited information on the projects, plans, and activities funded by the country's development partners. The stakeholders in the energy sector are highly diverse and include five government ministries, four key development partners, and several private sector participants and civil society organizations. This continues to make the critically important harmonization and sequencing of investment plans difficult. Afghanistan's development partners have focused on rehabilitating the power supply chain, constructing power transmission lines and distribution networks, and providing technical assistance in such thematic areas as energy development, energy efficiency, energy trade, energy security, and renewable energy. Several technical assistance projects cover both Afghanistan and neighboring countries. The table below summarizes the prominent project finance and technical assistance interventions.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
World Bank	Emergency Power Rehabilitation Project	2004–2013	125.0
World Bank	Kabul Aybak/Mazar-e-Sharif Power Project	2007–2013	57.0
World Bank	Afghanistan Power System Development Project	2008–2013	60.0
ADB	Infrastructure Rehabilitation and Reconstruction Project	2003–2007	45.1
ADB	Power Transmission and Distribution Project	2005–2013	50.0
ADB	Regional Power Transmission Interconnection Project	2007–2013	47.0
ADB	MFF Energy Sector Development Investment Program, Tranche 1	2008–2016	164.0
ADB	Development of Mini Hydropower Plants in Badakhshan and Bamyán Provinces	2008–2014	12.0
ADB	MFF Energy Sector Development Investment Program, Tranche 2	2009–2016	81.5
ADB	MFF Energy Sector Development Investment Program, Tranche 3	2010–2015	75.4
ADB	MFF Energy Sector Development Investment Program, Tranche 4	2012–2016	200.0
KfW ^a	Rehabilitation of Pul-e-Khumri Hydropower Plant	2007–2016	42.0
KfW	Decentralized Power Supply in Northern Afghanistan	2011–2016	48.0
KfW	NEPS connecting northern towns (Phase I-II)	2011–2017	49.0
USAID	Afghan Clean Energy Program	2010–2011	23.8
USAID	Technical Support to the Afghan Energy Information Center	2009–2011	7.2

Development Partner	Project Name	Duration	Amount (\$ million)
USAID	Tarakhil Power Plant Operations and Maintenance Program	2010–2012	28.2
USAID	Kabul and Kandahar Commercialization Support Projects	2009–2012	59.9
USAID	Kandahar Helmand Power Program	2010–2016	266.0
USAID	Power Transmission Expansion and Connectivity Project	2012–2016	814.0
USAID	Sheberghan Gas Development Project	2011–2015	135.0

ADB = Asian Development Bank, MFF = multitranches financing facility, NEPS = north-east power system, USAID = United States Agency for International Development.

^a In euros.

Source: Afghanistan Energy Information Center.

B. Institutional Arrangements and Processes for Development Coordination

2. It is estimated that nearly \$5.0 billion in grant assistance and private sector investment will be provided to the Afghanistan energy sector during 2013–2015. The Inter-Ministerial Commission for Energy (ICE), established in 2006 through a Presidential Decree and supported by ADB during 2007–2009, had proved to be the most effective mechanism for brainstorming and reaching coherent agreements on an investment and governance agenda, but it ceased functioning due to lack of funding. ADB has revived the forum through a technical assistance approved in 2013.¹ This will allow the ICE to continue supporting collaboration among the government, the development partners and the private sector in (i) energy sector discussions, (ii) sector planning and harmonization to avoid overlapping, (iii) sequencing of investments, and (iv) analytical work related to Afghanistan’s energy sector.

3. The ICE will hold monthly meetings chaired by the minister of economy and will be attended by more than 30 participants, including the chief executive officer of Da Afghanistan Breshna Sherkat, the Afghan power utility; the minister of energy and water; the minister of mines; the minister of rural rehabilitation and development; officials of related government agencies; and representatives of key development agencies active in the Afghanistan energy sector. Regular follow-up will be undertaken by ICE consultants and secretariat officials through formulation of meetings minutes, preparation of quarterly status reports, and meetings of technical working groups.

4. The ICE will monitor the progress in implementing the government’s energy-related national priority program (NPP)—the National Energy Supply Program—which is one of 22 NPPs endorsed by the government and development partners to implement investment projects. In addition, the policy and advisory technical assistance will help (i) institutionalize the power master plan; (ii) update the country’s energy policy and sector plans, including an operations and maintenance strategy; and (iii) prepare technical reports and working papers through the formation of working groups or subcommittees that will be supported by consultants to debate and resolve such operational issues as the role of renewable energy, development of a unified national grid, and synchronization of electrical frequency with power systems in neighboring countries.

¹ ADB. 2013. *Technical Assistance to Afghanistan for Supporting the Inter-Ministerial Commission for Energy*. Manila (TA 8328-AFG, \$1.5 million, approved on 22 February).

C. Achievements and Issues

5. ADB is Afghanistan's largest on-budget development partner in the energy sector, with a total approved commitment of nearly \$700 million in assistance. It is programming an additional \$650 million in grant financing during 2013–2014 to meet the country's energy security needs, either directly or through cofinancing through the ADB-managed Afghanistan Infrastructure Trust Fund. Afghanistan is a potential energy resource corridor and transit country between Central Asia and South Asia and is expected to play a critical part in promoting regional trade, including trade in energy, and regional cooperation. ADB's country partnership strategy for 2009–2013, the country operations business plan (2013–2014), and the ADB-managed Afghanistan Infrastructure Trust Fund have made energy the key sector for ADB assistance in Afghanistan. ADB has led efforts to formulate the Afghanistan energy NPP and has acted as development partner focal point in the energy sector. ADB sees a continued need to harmonize and sequence development partner assistance to support the ongoing Afghanistan power master plan and regional power master plan studies, which it has also supported.

D. Summary and Recommendations

6. Improved development coordination will help increase development effectiveness. Hard and soft development interventions carried out in concerted and coordinated ways will address critical constraints to growth in Afghanistan.

7. There is a critical need to strengthen and sustain this effort and the forum for integrated sector planning, implementation, monitoring, and oversight of the almost \$1 billion of investments now going into Afghanistan's energy sector each year.