

Afghanistan Public Private Partnership Project

Ambitions and Challenges



The Role of UNDP in Promoting the PPP Programme through Innovative SDG Finance

SDG Innovative Finance Aspirations

The UNDP Afghanistan Country Office has launched its Innovative SDG Finance Programme inspired by four principles:

Sustainability: The funds invested have sustainable characters i.e., a discipline that considers environmental, social, and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.

Leveraging: The initial funds received from grants or ODA shall be considered as a seed capital to build on and leverage many times this initial amount.

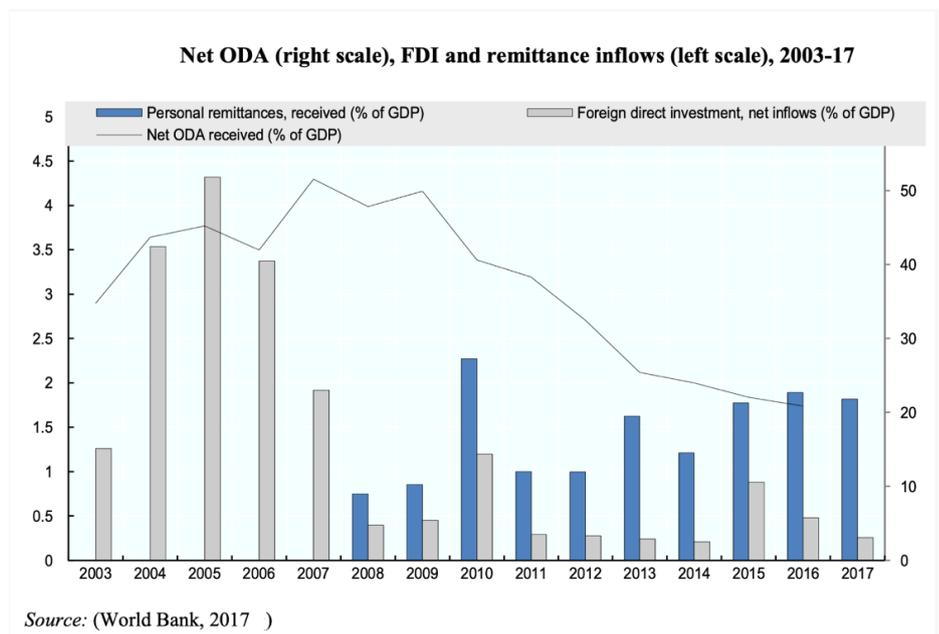
Growth: Our financing scheme philosophy is based securing a predefined growth rate of each venture a fund is invested in. The investee shall be subject to continuous evaluation and assessment to make sure that it achieves the targets and objectives defined.

Revolving Structure: The funds invested shall not stop at the first investment, but it will continue to reinvest in the successful projects and in new potential ventures through the way of exiting, reinvesting and fund's enlargement.

Need for Innovative SDG Finance

Current international investment levels are still falling short of actual commitments, the situation keeps deteriorating from year to year especially with the extremely negative effect of the outspread of the COVID-19 and its consequences on the global economy.

The situation of Afghanistan is not an exception and the ODA, FDI and Remittance levels keep declining hence the importance of new way of thinking to finance the Development needs of the country.



PPP Projects by Sector

The Private Public Partnership Directorate attached to the Ministry of Finance has issued an ambitious PPP Programme in 2019 and 2020 in different sectors: Energy, Agriculture Technology Urban Development, Health, Aviation and Mining totaling 3.7 billion dollars, most of these projects are still seeking for Partners and Investors.

PPP	Projects 2020				
Sector	Project name	Project Cost (Million \$)	Location	PPP Model	Period
Energy	Qala-e-Mamai 450 MW Power Generation	US \$ 1483.61 M	Takhar Province	Design Build Finance Operate Maintain (DBFOM)	2021-2026
	Sorubi II 180 MW HPP	US \$ 300 M	Kapisa Province	Design-Build-Finance- Operate and Maintenance	2021-2022
	Baghdara 226.5 MW Hydro Power Plant	US \$ 585.9 M	Kapisa Province	Design-Build-Finance- Operate and Maintenance	2021-2026
Agriculture	Operation and Maintenance of 5 Slaughter Houses	US \$ 10 M	Kabul, Mazar and Herat	Lease	2021
	Barikab Industrial Park (BIP)	US\$ 50-100 M	Kabul Province	BOT (Build-Operate-Transfer)	2023-2024
	Commercial pistachio Orchard	US \$ 177.5 M	Herat Province	BOT (Build-Operate-Transfer)	2023
Technology	Kabul Fibre To The Home (FTTH)	US\$ 40M	Kabul (Capital)	BOT (Build-Operate-Transfer)	2024
Urban Development	Tradational Markets	US \$ 3.64 M	Kabul (Capital)	BOT	2021
Health	Ali Jinnah Hospital	US \$ 3.8 M	Kabul (Capital)	Lease Contract	2021
	Diagnostic Center	US \$ 4.1 M	Kabul (Capital)	Build-Operate-Transfer (BOT)	2022
	Jamhoryat Hospital	US \$ 44.12 M	Kabul (Capital)	Build-Operate-Transfer (BOT)	2023-2024
Aviation	Expopt Processing Zone	US\$ 88 million	Kabul (Capital)	DBFO (Design Build Finance Operate)	2022-2023
	Hamid Karzai International Airport – New Passenger Terminal	US \$ 262.5 M	Kabul (Capital)	Build-Operate-Transfer (BOT)	2022-2025
	Air Cargo Terminal development	US\$ 35 M	Kabul (Capital)	Build-Operate-Transfer (BOT)	2022-2023
	Hamed Karzai international Airport Hotel Development	US \$ 63 M	Kabul (Capital)	Build-Operate-Transfer (BOT)	2023-2024
Mining	Gemstone Bourse Project	US \$ 25.51 M	Kabul (Capital)	Build-Operate-Transfer (BOT)	2021
Total Value		US \$ 3,222.88			

PPP Projects 2019 By Sector

PPP	Projects 2019				
Sector	Project name	Project Cost (Million \$)	Location	PPP Model	Period
Energy	40 MW Solar PV-Diesel Hybrid	US \$ 82.3 M	Hisar-e-Shahi	Design Build Finance Operate Maintain (DBFOM)	2022-2023
	50MW Solar Power Plant	US \$ 36 M	Guzara, Herath	Design Build Finance Operate Maintain (DBFOM)	2021
	Electric Distribution Network	US \$ 30 M	Kabul, Nangarhar, Ghazni, Parwan, Herat, Paktia	Design-Build-Finance- Operate and Maintenance	2022
Agriculture	National Plan for Production, Packaging, and Marketing of Almond Project	U S\$ 64 M	Ghazni, Daikundi, Parwan, Samangan, Balkh, and Kundoz	BOT (Build-Operate-Transfer)	2022-2023
	51 Sub-check Dams of Panj Amu River Basin	US \$ 13 M	Several Regions	BOT (Build-Operate-Transfer)	2021-2022
	Herbaceous Projects	US \$ 32 M	Alafshar	BOT (Build-Operate-Transfer)	2022-2023
	185 Sub-check Dams of Kabul River Basin	US \$ 16 M	Several Regions	BOT (Build-Operate-Transfer)	2023
Urban Development	Panjshir River Water Diversion to Kabul	US \$ 95 M	Kabul (capital)	BOT (Build-Operate-Transfer)	2022-2023
	Establishment of New Khair Khwa Market at Jade Nadir Pushtoon	US \$ 75 M	Kabul (capital)	BOT (Build-Operate-Transfer)	2021-2022
	Design and Construction of 60 km Railway from Ankhoy to Sherghan	US \$ 96 M	Ankhoy - Sherghan	BOT (Build-Operate-Transfer)	2021-2022
Total Value		US \$ 539.30			
Grand Total 28 Projects		US \$ 3,762.18			

Alignment between PPP Projects and SDGs

Sector	SDG
Projects on Energy	SDG-1 No Poverty
	SDG-7 Affordable and Clean Energy,
	SDG-9 Industries, Innovation, and Infrastructure
	SDG-13 Climate Action
Projects on Agriculture	SDG-1 No Poverty
	SDG-2 Zero Hunger
	SDG-5 Gender Equality
	SDG-8 Decent Work and Economic Growth
Projects on Urban Development	SDG-11 Sustainable Cities and Communities
	SDG-16 Peace, Justice and Strong Institutions
Projects on Health	SDG-3 Good Health and Well-Being
Projects on Technology	SDG-1 No Poverty
	SDG-4 Quality Education
	SDG-8 Decent Work and Economic Growth
	SDG-9 Industries, Innovation, and Infrastructure

Reforms Required to Launch the Portfolio

Country Rating to Determine the Risk: A country cannot access the international financial market unless it has a Credit Risk Rating. Hence the importance to Afghanistan to obtain a Risk rating that helps International Investors to assess the risk of their investment. Even if the rating obtained is very low, it remains better than “no rating” and it represents the first step to access the International Financial Market.

Ability to Mobilize Domestic Commercial Investment Tailored to the Local Context: The participation of the Domestic Commercial Investment and Domestic Banking System represent a fundamental step to create an Innovative Finance Instruments and to encourage the foreign investors and private sector to invest.

Apply Risk Mitigation Technics: In order to encourage the Private and International Investment, Risk Mitigation Technics such as Sovereign and Commercial Risks coverage must be applied. Many international Risk Insurance Agencies like MIGA, ICIEC and others can be approached to cover reliable investments.

Build the Markets: This is an important stage to facilitate the inflow of Private and International Investors especially that the market is still depending on informal transactions. Building the market shall facilitate the Exit and the Reinvestment and assure the liquidity of the investment.

Improve the Enabling Environment and Enhance the Capability of Local Institutions to Handle Innovative Finance: A Capacity Building Programme must be implemented to enhance the capability of the Local Institutions to familiarize them with the Innovative Finance Instrument and make them capable of handling the new Investments.

Increase Transparency at Policy Level: The transparency of the Government policy is a major factor to succeed the implementation of the Innovative SDG Finance Instruments furthermore, the modernization of Local Institution remains a must to succeed.

Role of the UNDP from its deep understanding of the country’s context and its extensive expertise and connections: Like any new approach, there are certain risks and challenges, but, in the presence of the unprecedented opportunities presented by the SDGs, UNDP through its available resources and expertise can pilot and adjust to set together all the involved players in a harmonious investment environment and create a real partnership environment. The UNDP can:

- Mobilize wide range of Partners and Technical Assistance.
- Help government design interesting funding options.
- Scale up the private sector involvement.
- Bring the most appropriate financing schemes and structures.
- Piloting and Adjusting Role between Partners.
- Create a network of impact investors.

Finally, UNDP Innovative “SDG Finance Programme” has created a network of experts and technical partners equipped with deep financial competences and in-depth understanding of Afghanistan development challenges. This network is acting closely together to create a solid international network of impact investors willing and eager to enter the Afghanistan investment market with an overall aim to catalyse private sector investment that leads to sustainable development by ensuring the connectivity of projects with Afghanistan development goals.

Initial Estimation of the Impact of PPP Projects on Growth and Prosperity

Realizing the projects included in the PPP investment list would imply a nearly 20% increase in annual domestic investment, which is a notable effort, and a positive thing to do, if income and employment are to grow. This would allow for economic growth to exceed population growth and permit a substantial rise in per capita GDP. The total investment in the two years is about \$4.3 billion, equivalent to a full year of normal investment. The projects are heavily concentrated on energy, transport, and health infrastructure, with a few investments in agriculture, industry, and services. These projects would be carried out basically over 4 to 5 years, starting in 2021 or 2022, but their results would begin to show within a couple of years. By 2025, they could yield an increment of 4.5% of GDP. And when all projects mature, by 2029 and 2030, they could provide a 40 increase over GDP as it stood in 2020 (about \$20 billion). This would be a strong investment and growth performance, if it can be carried out.