

Document of  
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Report No: 80177-AF

AFGHANISTAN RECONSTRUCTION TRUST FUND

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF MILLION  
US\$110 MILLION EQUIVALENT

TO THE

THE ISLAMIC REPUBLIC OF AFGHANISTAN  
FOR A

KABUL MUNICIPAL DEVELOPMENT PROGRAM

March 25, 2014

URBAN WATER & SANITATION UNIT  
SOUTH ASIA REGION

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**CURRENCY EQUIVALENTS**  
(Exchange Rate Effective {January 31, 2014})

Currency Unit =  
= US\$1  
US\$ = SDR 1

**FISCAL YEAR**  
January 1 – December 31

**ABBREVIATIONS AND ACRONYMS**

AFMIS	Afghanistan FM Information System	JRC	Judicial Reform Commission (JRC)
ARDS	Afghanistan Reconstruction and Dev Services	KSP	Kabul Solidarity Program
ARTF	Afghanistan Reconstruction Trust Fund	KM	Kabul municipality
AUWSS	Afghanistan Urban Water Supply and Sanitation	KMDP	Kabul Municipality Development Program
CBO	Community Based Organization	KURP	Kabul Urban Reconstruction Project
CCM	Community Consultation Manual	KUTIE	Kabul Urban Transport Improvement Efficiency
CER	Contingent Emergency Response	LTTC	Land Tenure Technical Committee
CIDA	Canadian International Development Agency	M&E	Monitoring & Evaluation
CHMP	Cultural Heritage Management Plan	MoF	Ministry of Finance
CR	Conformance Report	Ministry of Urban Development	
DCA	Development Credit Agreement	MoUDA	Affairs
DOS	Department of Sanitation, KM	MTR	Mid Term Review
ERR	Economic Rate of Return	NATO	North Atlantic Treaty Organization
EIA	Environment Impact Assessment	NPV	Net Present Value
ERL	Emergency Recovery Loan	O&M	Operation and Maintenance
FM	Financial Management	PD&C	Planning, Design and Contracts Management
FMR	Financial Monitoring Reports	PDO	Project Development Objective
GCS	Gozar Cooperating Shura	PIM	Project Implementation Manual
GIRoA	Government of the Islamic Republic of Afghanistan	PMU	Project Management Unit
GTZ	German Technical Cooperation	ROW	Rights of way
ICRR	Implementation Completion and Results Report	SDU	Special Disbursement Unit
IDA	International Development Association	TA	Technical Assistance
IDLG	Independent Directorate of Local Governance	TF	Trust Fund
		UNHCR	UN High Commissioner for Refugees

IPF	Investment Project Financing	USAID	United States Agency for International Development
IRM	Immediate Response Mechanism	IUFR	Interim Unaudited Financial Report
ISN	Interim Strategy Note	IT	Information Technology

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**AFGHANISTAN**  
**Kabul Municipal Development Program**

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**PAD DATA SHEET***Afghanistan***KABUL MUNICIPAL DEVELOPMENT PROGRAM****SASDU**

Basic Information		
Date: March 25, 2014	Sectors:	Urban Development
Country Director: Robert J. Saum	Themes:	Urban Services and Infrastructure
Sector Manager/Director: Ming Zhang/John H. Stein	EA Category:	B
Project ID: P125597		
Lending Instrument: Investment Project Financing		
Team Leader(s): Deepali Tewari		
Joint IFC: NO		
Borrower: Islamic Republic of Afghanistan		
Responsible Agency: Kabul Municipality		
Contact: Mr. M.Y. Nawandish	Title:	Mayor Kabul Municipality
Telephone No.: (+93) 020 210 1350	Email:	nawandish@km.gov.af
Project Implementation Period: Start Date: April 15, 2014 End Date: December 31, 2019		
Expected Effectiveness Date: April 15, 2014		
Expected Closing Date: December 31, 2019		
Project Financing Data(US\$M)		
<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Other
<input type="checkbox"/> Credit	<input type="checkbox"/> Guarantee	

<b>For Loans/Credits/Others</b>								
Total Project Cost :		US\$110 million			Total Bank Financing :		US\$110 million	
Total Co-financing :		NA			Financing Gap :		US\$0.0 million	
<b>Financing Source</b>				<b>Amount(US\$M)</b>				
BORROWER/RECIPIENT				0.00				
IBRD				0.00				
AFGHANISTAN RECONSTRUCTION TRUST FUND				110.00				
Financing Gap US\$0.0				0.00				
Total				110.00				
<b>Expected Disbursements (in USD Million)</b>								
Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020
Annual	5.2	33.0	18.7	16.5	12.3	16.5	7.8	(grace period)
Cumulative	5.2	38.2	56.7	73.2	85.5	102.2	110	
<b>Project Development Objective(s)</b>								
The Project Development Objectives are to: (i) increase access to basic municipal services in selected residential areas of Kabul city; (ii) redesign KM's financial management systems to support better service delivery (iii) and enable early emergency response in the event of an eligible emergency.								
<b>Components</b>								
<b>Component Name</b>						<b>Cost (USD Millions)</b>		
A. Infrastructure Upgrading Program						85.0		
B. Redesign KM's Financial Management System						3.0		
C. Studies						5.0		
D. Project Management, Works Design and Supervision						17.0		
E. Contingency Emergency Response Component						0.0		
<b>Compliance</b>								
<b>Policy</b>								
Does the project depart from the CAS in content or in other significant respects?							Yes [ <input type="checkbox"/> ]	No [ <input checked="" type="checkbox"/> ]

Does the project require any waivers of Bank policies?			Yes [ ]	No [ X ]
Have these been approved by Bank management?			Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?			Yes [ ]	No [ X ]
Does the project meet the Regional criteria for readiness for implementation?			Yes [ X ]	No [ ]
<b>Safeguard Policies Triggered by the Project</b>			<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01			Yes	
Natural Habitats OP/BP 4.04				No
Forests OP/BP 4.36				No
Pest Management OP 4.09				No
Physical Cultural Resources OP/BP 4.11			Yes	
Indigenous Peoples OP/BP 4.10				No
Involuntary Resettlement OP/BP 4.12			Yes	
Safety of Dams OP/BP 4.37				No
Projects on International Waterways OP/BP 7.50				No
Projects in Disputed Areas OP/BP 7.60				No
<b>Legal Covenants</b>				
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>	
Maintenance of Coordinating Authority	NA	By implementation of Emergency Response Part	NA	
<b>Description of Covenant</b>				
The Recipient shall, throughout the period of implementation of the emergency response part of the Project, maintain a coordinating authority, with adequate staff and resources satisfactory to the World Bank, to coordinate implementation.				
<b>Team Composition</b>				
<b>Bank Staff</b>				
<b>Name</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>	<b>UPI</b>
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Locations					
Country	City	Location	Plan ned	Actual	Comments
Afghanistan	Kabul	Districts 1, 2, 3, 5, 8 and 13			

## I. STRATEGIC CONTEXT

### A. Country Context

1. ***Despite significant economic and social progress over the last decade, Afghanistan faces formidable medium to long term development challenges.*** An average of 9.4 percent annual economic growth over 2003-2012, driven mainly by investments in reconstruction and aid flows, has fueled the services sector. Periodic surges in agricultural production helped raise GDP per-capita from \$186 in 2002 to \$688 in 2012. Per capita GDP, however, is still the lowest in Asia and amongst the lowest 20 countries of the world. Key social indicators have also improved<sup>1</sup>, but poverty levels are high. 36 percent of the population lives below the national poverty line and over fifty percent are considered vulnerable<sup>2</sup>.

2. ***A highly aid dependent country in conflict and with extremely fragile institutions, Afghanistan is in the midst of a critical security and economic transition***<sup>3</sup>. Presidential elections are scheduled for April 2014<sup>4</sup>, and the Government is assuming leadership for both security and development from the international community by the end of 2014. Aid levels are expected to fall as is growth in 2014. Future aid levels remain uncertain even if there is a smooth transition. Fiscal sustainability, job-creating growth, human development and governance will remain dominant themes for the development agenda over the short to medium term.

3. ***Afghanistan's future development plans to stabilize the security situation hinge on the government's ability to deliver services, improve living conditions and promote socio-economic development, particularly in urban areas where the impacts of withdrawal are expected to be acute.*** Construction and services are expected to be the most affected sectors should aid decline after the transition. These sectors currently absorb 64 percent of the working population in urban areas and 24 percent in rural areas<sup>5</sup>. The need to improve public service delivery, generate employment and improve incomes, and most importantly, strengthen institutional capacities in municipal governance is critical due to urban population growth.

4. ***Afghanistan's urban population has grown rapidly due to an influx of returning refugees<sup>6</sup>, conflict, and drought-induced migration, and by 2050 the urban population is expected to be over 40 percent<sup>7</sup>.*** The relatively high urban population growth rate of 3.7 percent is higher than the national population growth rate of 2.4 percent<sup>8</sup>. Six cities account for one fifth

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<sup>1</sup> The percent of the population with access to improved water sources increased from 22 percent in 2000 to 50 percent in 2011, gross primary enrollment increased from 19 percent to 97 percent, maternal mortality almost halved, and life expectancy increased from 55 years to 60 years over the same period.

<sup>2</sup> Poverty Status in Afghanistan, World Bank, July 2010.

<sup>3</sup> In 2013 Budget Expenditures were US\$6.8 billion and domestic revenue income was US\$2.5 billion, in addition to the Government's cash reserve of US\$250m. On-budget donor support amounts to 59%.

<sup>4</sup> The security situation has deteriorated significantly during the project preparation period as the election date has drawn closer. An attack on 17 January 2014 in Kabul claimed the life of the International Monetary Fund representative in Afghanistan, along with four United Nations staff and 11 civilians.

<sup>5</sup> Afghanistan in Transition: Looking Beyond 2014, World Bank, May 2012.

<sup>6</sup> Over 5 million refugees have returned to Afghanistan since 2002, increasing the country's population by about 20 percent in largely the central, Eastern and North Eastern regions. UNHCR Country Operations Profile, 2011.

<sup>7</sup> World Population Prospects: The 2010 Revision and World Urbanization Prospects, 2011 Revision.

<sup>8</sup> World Development Indicators, 2012.

of Afghanistan's total population: Kabul, Herat, Kandahar, Mazar-i-Sharif, Jalalabad and Kunduz<sup>9</sup>. Over the past decade (2002-2013), over two million refugees, or 46% of the refugee returnee population, have returned to urban areas - 36% to Kabul (UNHCR). Consequently, social, economic and political stability require urgent attention to inclusive urban development.

## **B. Sectoral and Institutional Context**

5. ***Kabul, already home to over half of Afghanistan's urban population<sup>10</sup> and still growing, faces significant infrastructure and service delivery deficiencies.*** Originally planned for less than one million people, Kabul now ranks 86<sup>th</sup> among the world's largest agglomerations<sup>11</sup>. It's population has doubled since 2004, and was estimated to be over 4 million<sup>12</sup> in 2012. About 70 percent of Kabul's population is estimated to live in informal or unplanned settlements without access to basic services. This informality deprives Kabul Municipality (KM) of revenues: it's annual revenue was approximately US\$50.5 million (2011/2012)<sup>13</sup>; once recurrent expenditures of roughly 63 percent are accounted for, only US\$19 million remains for the city's development budget, translating into a per capita equivalent of about US\$4.87, extremely low by international standards and also lower than other large cities in Afghanistan<sup>14</sup>. Revenue improvements are constrained by: (i) weak legal enablers for revenue generation; (ii) inadequate systems for tax assessments, rate revisions and revenue collection; (iii) insufficient understanding of municipal obligatory and discretionary functions at the top managerial levels in KM; and (iv) weak managerial and administrative capacities in KM and its district offices, particularly with respect to fiduciary functions.

6. ***Expanding both coverage and quality of service delivery to such a large and growing un-served population requires substantial investment on both capital and recurrent expenditure and for KM to move towards greater financial self-reliance.*** Progress towards greater financial self-reliance will require overcoming multiple and interrelated constraints for improving revenue management functions, financial planning, and investment management. Support provided for improvements in accounting and financial management systems in 2006, enabled KM to prepare its financial reports regularly, implement appropriate accounting procedures and controls, ensure regular reconciliations with the Special Disbursements Unit (SDU) in the Ministry of Finance, recover advances on a regular basis, verify overtime payments, reconcile income figures, prepare electronic expense reports, and publish annual financial reports for both revenues and expenditures. Major weaknesses, however, remained in budget formulation, budget execution, revenue audits, and reconciliation by sources of revenue on a monthly basis. Currently budget planning is not informed by updated information on municipal revenues and the overall real financial situation of the municipality. Taxes, user charges for municipal services, rents, fees, licenses and all other revenues are collected by the 22 Districts of KM. Manual consolidation of these reports by KM headquarters, slows down the accounting process. Budget execution is weak due to weak procurement systems because these

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<sup>9</sup> Central Statistics Office. September 2012.

<sup>10</sup> World Development Indicators, 2011.

<sup>11</sup> World Development Prospects, 2009.

<sup>12</sup> World Development Indicators

<sup>13</sup> IDA staff estimates.

<sup>14</sup> Herat allocates US\$22.16 per capita.

systems are not supported by adequate legal instruments, making the purchase of public works ‘costly’. A lack of effective market competition further exacerbates low budget execution.

7. ***Strengthening KM’s financial management systems and capacities to improve service delivery is challenging and will take time, but is essential for the sustainability of service delivery from infrastructure investment***<sup>15</sup>. Institutional reforms are needed for revenue management, accounting, and management development. Preconditions for reforms will need to be assessed and business processes will need to be re-engineered for institutional development that integrates information technology (IT) tools. A realistic sequence of activities to address functional and technical requirements of reforms, costs of activities and time-bound action plans will need to be developed before implementation of a re-framed financial management system to support better service delivery can get underway. Institutional development reforms take time, and will require sustained donor support as well as sustained political commitment and ownership at the highest levels in KM. Given the transition underway in Afghanistan as well as the potential for adverse effects of country-specific political economy issues, the inevitable changes in key management positions and priorities in KM could become factors that would need to be taken into account for launching a comprehensive municipal finance program in KM.

8. ***The Government recognizes the need for urban development policies to improve resource utilization.*** It also recognizes that infrastructure provision is as necessary as making available adequate resources for operations and maintenance (O&M) of assets. This requires clarity on urban management responsibilities and strengthening municipal management. In 2010, the Government developed specific National Priority Programs (NPPs) to improve service delivery. Successful implementation of these NPPs would enhance service delivery, generate employment and improve incomes, and strengthen institutional capacities. However, the comprehensive completion of all these steps will take time. Past and on-going urban development support for Kabul includes the IDA supported US\$25 million Kabul Urban Reconstruction Project (KURP)<sup>16</sup>, the US\$44 million USAID supported Kabul City Initiative (KCI)<sup>17</sup>, JICA support for improvements to a road within a community implemented by UNHABITAT, and roads and road maintenance financed by other donors that are at risk of deteriorating due a lack of critical financial and administrative capacity in KM to maintain them.

9. ***The rationale for Bank involvement in the urban sector in Afghanistan is to establish a foundation for municipal development that contributes to macroeconomic growth.*** This rationale draws on the Bank’s support for municipal development in more than twenty countries over the last three decades. This experience highlights that integrated development in large cities requires reforms and investments, and reforms take time. This project and the Kabul Urban Transport Efficiency Improvement Project are deliberately conceived and processed concurrently to upgrade Kabul across sectors. IDA’s experience also highlights that participating municipalities in the Bank’s municipal development programs out-performed non-participating

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<sup>15</sup> KMDP and the Kabul Urban Transport Efficiency Improvement Project are expected to rehabilitate about 60kms of trunk roads.

<sup>16</sup> KURP (closed April 2012) addressed basic service delivery in un-served or under-served areas of Kabul.

<sup>17</sup> KCI, a three-year program that will close in December 2013, has provided technical and material support to KM to enhance the capacities of KM’s administration and management functions in order to improve the long-term sustainability and financial viability of the municipality.

municipalities in municipal financial autonomy, direct and indirect cost recovery, and balanced budgeting. They came to rely on their own revenues to a greater extent and successfully mobilized revenues for capital investments. Collection of property related taxes was a focus of these programs, and improved fiscal performance went hand in hand with municipal management strengthening.

### **C. Higher Level Objectives to which the Project Contributes**

10. *The World Bank's Interim Strategy Note (ISN) for the Islamic Republic of Afghanistan (IRoA<sup>18</sup>) is grounded in helping the government with the transition in 2014 and beyond.* The project is consistent with all three pillars of the ISN for 2012-2014: (i) *building legitimacy of institutions* - the project will establish a road map for strengthening both KM's financial management and planning capacity which, once implemented, will contribute to improved service delivery; (ii) *providing equitable service delivery* - delivery of basic municipal services in unserved residential settlements will positively reaffirm the legitimacy of residents by initiating a process for their inclusion through the integration of their settlements with the city's main infrastructure; (iii) *inclusive growth and jobs* - through labor intensive municipal infrastructure works, the project will directly generate over 2 million man days of unskilled jobs in the construction sector<sup>19</sup>, stimulate indirect economic benefits in the targeted areas and their vicinity, and strengthen the role of women in the targeted communities<sup>20</sup>. The project also supports GoIRA's NPP on Local Governance, and the Urban Management Support Program that aims to strengthen urban governance and improve the quality of the built environment. Furthermore, given Kabul's preeminence in and to Afghanistan's economy, it is critical that Kabul has functioning management, systems and infrastructure to deliver services to its residents. The Bank's approach, through the two complementary projects, is to continue to support the realization of this.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

11. The Project Development Objectives are to: (i) increase access to basic municipal services in selected residential areas of Kabul city; (ii) redesign KM's Financial Management system to support better service delivery; and (iii) enable early response in the event of an eligible emergency.

### **B. Project Beneficiaries**

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<sup>18</sup> Discussed on 12 December 2012.

<sup>19</sup> Assuming conservatively 30% labor content in civil works contracts, and a daily wage of US\$6 per day for an unskilled laborer, and US\$16 per day for a skilled laborer.

<sup>20</sup> Special efforts will continue to be made to ensure female participation so that half of the members of the community representative groups will be female.

12. The project is expected to deliver welfare and human development benefits to approximately 777,380<sup>21</sup> people through services provided in 1773<sup>22</sup> hectares of government owned land, of which 73 percent is occupied by unplanned settlements and 27 percent by planned settlements. About 65 percent of the beneficiaries in the residential settlements are expected to be women and children. Equipment for the Roads and Sanitation departments of KM will combat pollution, reduce heat-island effects, improve service delivery as well as the microenvironment of the city. Project support to develop a plan for improving KM's financial management and planning capacity to deliver improved services to its people, will enhance KM's legitimacy when implemented.

### **C. PDO Level Results Indicators**

13. Progress towards the PDOs will be measured through the following indicators:

- (i) Number of beneficiaries from upgrading.
- (ii) Number of people in urban areas provided access to all-season roads within a 500 meter range of project supported roads.
- (iii) Report on FM reforms.

14. Intermediate output indicators that underpin the achievement of these project outcome indicators are listed in Annex 1, along with their baseline values and targets of outcome and intermediate indicators.

## **III. PROJECT DESCRIPTION**

### **A. Project Components**

15. The Project has four components:

*A: Infrastructure Upgrading Program (US\$85 million)*

*B: Redesign KM's Financial Management System (US\$3.0 million)*

*C: Studies (US\$5 million)*

*D: Project Management, Works Design and Supervision (US\$17 million)*

*E: Contingency Emergency Response*<sup>23</sup> (US\$0.0 million): In the event of an eligible emergency or crisis, this operation will also enable early emergency response through the provision of a quick access to funding.

### **Component A. Infrastructure Upgrading Program (US\$85 million)**

16. This component will support the following:

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<sup>21</sup> The number of beneficiaries will be determined as community upgrading plans are developed annually. These current estimates are extrapolated from population densities in upgrading undertaken under KURP and sample survey undertaken during project preparation.

<sup>22</sup> These estimates of area are based on interpretation of satellite imagery, and will be subject to verification through field surveys as annual community upgrading plans are prepared during implementation.

<sup>23</sup> Such a reallocation would not constitute a formal Project Restructuring.

**A (i) Upgrading of basic municipal infrastructure (US\$65 million<sup>24</sup>):** This subcomponent will finance an estimated US\$53 million of works that will deliver basic municipal services to people in un-served settlements<sup>25</sup> on government owned land, thereby integrating such areas with the main fabric of the city. Works could include: neighborhood<sup>26</sup> or community roads and drains, culverts, footpaths, street lighting, community parks, community solid waste collection points, and water supply if feasible<sup>27</sup>. It will also finance rehabilitation of trunk roads and drains within existing rights of way (ROW) valued at US\$12 million.

**A (ii) Service Delivery Support for Sanitation and Roads Departments (US\$20 million):** This subcomponent will finance critically needed<sup>28</sup> low-energy use Goods for KM's departments of Sanitation, and Roads: equipment for emptying septic tanks; suction of accumulated rain water; sweeping of roads; emergency equipment for clearing snow off primary arterial roads; and for the maintenance of secondary and community roads rehabilitated over the last few years. It will also finance GPS trackers on 667 vehicles of the roads and sanitation departments, control room equipment for monitoring usage and fuel consumption. Recurrent costs will be financed by KM from its own funds. The subcomponent will also finance the services of an international advisor to support the Departments of Sanitation and Roads to design and implement actions to improve the efficiency of services delivered.

### **Component B. Redesign KM's Financial Management System (US\$3 million)**

17. This component will finance (i) an individual consultant as Financial Management Advisor to the Deputy Mayor of KM for Finance and Administration, and (ii) a consultancy firm to develop a fully costed, time-bound realistically sequenced action plan for the implementation of institutional reforms that integrate IT solutions for revenue management, accounting, and management development in KM.

### **Component C. Studies (US\$5 million)**

18. This component will support the following subcomponents:

**C (i) Household Survey (US\$1 million):** This subcomponent will finance data collection through geo-referenced household surveys for service delivery that will be outsourced to private firms twice during the project's life, and the one-time procurement of hardware and software for a paperless survey<sup>29</sup>.

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<sup>24</sup> This figure includes an unallocated amount of US\$0.4m, to take care of any changes that may be needed during implementation as a result of findings from ground truthing surveys.

<sup>25</sup> Criteria for selection of areas to be upgraded, remains was developed under the Kabul Urban Reconstruction Project.

<sup>26</sup> Neighborhoods in Afghanistan have a recognized boundary by the community, and are called "gozars".

<sup>27</sup> Expansion of distribution networks in Kabul is contingent upon support from other donors, which is off-budget, making coordination between the KM and the Afghanistan Urban Water Supply and Sewerage Corporation (AUWSSC) challenging and unpredictable, as seen from the experience under KURP.

<sup>28</sup> These departments use highly energy inefficient equipment more than thirty years old. Monthly fuel consumption for the 447 vehicles reported to ply 2.031 million kms a month, is reported to be 811,579 liters monthly.

<sup>29</sup> Technical assistance for the initial design and supervision of this survey will be provided by the Bank as part of the technical support for the South Asia Regional Urbanization Study.



**C (ii) Drainage Studies (US\$4 million):** This component will finance the preparation of a master plan for the storm water drainage system of Kabul city to meet the expected demand of year 2030 and beyond. It will also finance a detailed study for the Kanal Wazir Abad catchment area and surroundings, provide options for solving the flooding and surface water accumulation problems that routinely impact the residents and businesses in the basin, as well as detailed engineering designs for the preferred option. The study will be a basis for future donor support for infrastructure development in Kabul, particularly the transport sector.

#### **Component D. Project Management, Works Design and Supervision (US\$17 million)**

19. **Project Management, Works Design and Supervision**<sup>30</sup>: This subcomponent will finance (i) the cost of KMDP senior consultants (US\$2.5 million) for the management of the project; incremental operating costs for staff that will undertake detailed design for the community upgrading plans (CUPs) to be financed during the project's life, preparation of CUPs for future donor support, supervision of the works, office support, and the costs of management, monitoring and reporting (US\$11 million); (ii) short-term individual consultants for specific tasks that may be needed during implementation (US\$1.5 million); (iii) professional training, workshops, and knowledge sharing events (US\$1 million); and (iv) an office building for KM's infrastructure improvement program<sup>31</sup> (US\$1 million) on land owned by the Municipality.

20. **Contingency Emergency Response**: This component will allow for a rapid response following an adverse natural or man-made event that causes a major disaster, through the reallocation of project funds<sup>32</sup>. It could also be used to channel additional funds for emergency response should they become available.

### **Project Financing**

#### **B. Lending Instrument**

21. The lending instrument for the project is Investment Project Financing (IPF).

#### **C. Project Cost and Financing**

22. **Project Costs.** Project costs are estimated at US\$110 million (including 10% physical and price contingencies) and will be financed through the Afghanistan Reconstruction Trust Funds (ARTF) / Grant.

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<sup>30</sup> Under KURP, 42 PMU contract staff with the support of 98 consultants managed a total of US\$33.8m. Project management costs and design and supervision costs were therefore 31%. In the case of this project, as a result of in-house design and supervision of works, and project management by Afghans, the percentage of overall design / supervision and project management is 5.3%.

<sup>31</sup> One of KM's office buildings is in derelict condition. The new building will replace the old building and is expected to house the teams of KM's infrastructure improvement program.

<sup>32</sup> Such a reallocation would not constitute a formal Project restructuring, as permitted under the particular arrangements available for contingent emergency response components (ref. Including Contingent Emergency Response Components in Standard Investment Projects, Guidance Note to Staff, April 2009, footnote 6).

**Table 1: Project Costs<sup>33</sup>**

<i>Project Components</i>	<i>Estimated Cost US\$m</i>	<i>Percent Financing</i>
<b>Component A: Annual Infrastructure Upgrading Program</b>	<b>85</b>	<b>77.</b>
A (i) Upgrading of Basic Municipal Infrastructure	65.0	
A (ii) Service Delivery Support for Sanitation & roads Department	20.0	
<b>Component B: Redesign KM's Financial Management System</b>	<b>3.0</b>	<b>2.7</b>
<b>Component C: Studies</b>	<b>5.0</b>	<b>4.5</b>
C (i) City-wide Geo referenced Household Survey	1.0	
C (ii) Drainage Study	4.0	
<b>Component D: Project Implementation, Design and Supervision</b>	<b>17.0</b>	<b>15.4</b>
<b>Component E: Contingency Emergency Response</b>	<b>0</b>	
<i>Total Project Costs</i>	<b>110.0</b>	<b>100%</b>

#### **D. Lessons Learned and Reflected in the Project Design**

**23. Operational Lessons.** Key lessons from operations in volatile environments that have been integrated into the project's design include: (i) Keeping the project simple with a limited number of focused components that minimize demands on weak and under-staffed institutions; (ii) Limiting project financing to a single source, and treat activities financed by other donors as complementary, and not integral, to a project; (iii) Defining Bank's criteria for procurement e.g. qualification criteria, in a way that is suitable to local market conditions; (iv) Including either higher than normal contingency costs (or setting aside approximately 15% of the funds as unallocated funds) due to the uncertainty in post-conflict environments; (v) Assessing project implementation period realistically, accounting for public and private sector capacity limitations, local market conditions of land-locked countries, political and oil price volatility<sup>34</sup>; (vi) Establishing strong PMUs with adequate autonomy and budget to attract and retain suitably qualified staff as early as possible in the project cycle; (vii) Locating the core Bank team in country and undertaking implementation support missions at a higher frequency than the Bank norm; and (viii) Being flexible and keeping expectations modest.

**24.** Sector lessons from thirty years of IDA experience<sup>35</sup> with urban upgrading projects include: (i) Beneficiary participation with a special focus on gender segregated participation must be an integral part of the design, implementation, and the monitoring and evaluation of project supported investments – the special focus on gender under KURP resulted in the creation of community representative councils where half the members were women, and disputes in many cases were resolved due to mediation undertaken by the women; (ii) Government agencies should adjust technical standards if they do not lead to effective, manageable infrastructure; (iii) The framework of multi-sectoral activities in upgrading projects cannot alone address all of the urban infrastructure development needs and the “macro” linkages between upgrading areas and citywide environmental improvements may be improved if utility providers are part of the

<sup>33</sup> Costs are inclusive of 10% Contingencies.

<sup>34</sup> This will affect costs, contract periods and create challenges for contract management.

<sup>35</sup> Project design also integrates lessons from the World Bank's Institutional Evaluation Department's report “Improving the Lives of the Poor through Investment in Cities: Update on the Performance of the Urban Portfolio” (2003).

project organizational structure; (iv) Clear, transparent, systematic and continuous communication is necessary to develop appropriate design solutions that are workable, sustainable and replicable; and (v) Sustained engagement by the Bank<sup>36</sup> on upgrading has a lasting impact on important institutional development issues on the urban sector reform agenda<sup>37</sup>, notably cost recovery and decentralization.

#### **IV. IMPLEMENTATION**

##### **A. Institutional and Implementation Arrangements**

25. KM will be responsible for implementation of the project, including procurement and financial management. A fiduciary assessment of KM highlighted a lack of capacity to manage the project. Both KMDP and the Kabul Urban Transport Efficiency Improvement (KUTEL) project will be implemented concurrently as a joint integrated development program for KM implemented by the Mayor's office which will ensure coordination across KM's departments and central line ministries and utilities as needed. Under the Mayor, engineering functions will be performed by two teams, each headed by the Project Team Leader. Common fiduciary functions - procurement, financial management, and social and environmental safeguards will be discharged by a team common to both projects. Each Team Leader will be responsible for design, procurement, implementation, supervision, and project management including financial management, and reporting on progress. The Team established for KMDP<sup>38</sup> consists of well-qualified and experienced Afghans and has dedicated staff in the following departments: Social and Environment, Engineering, Procurement, Finance, Contract Management, Human Resources, Administration, and Information Technology.

26. For any disbursements under Component E, KM will need to: (i) Prepare and adopt a Contingent Emergency Response (CER) Implementation Plan that is agreed with IDA; and (ii) Prepare, adopt, and disclose safeguards instruments required as per Bank guidelines for all activities from the CER Implementation Plan eligible for financing under Component E.

##### **B. Results Monitoring and Evaluation**

27. The Results Framework (Annex 1) will be used to monitor and evaluate (M&E) the achievement of the PDO and the output indicators. The costs of M&E are included in Component D. Periodic Physical and Financial Progress Monitoring reports will be provided to IDA and KM on a monthly, quarterly and annual basis in formats agreed with IDA. Periodic reports will include social and environmental monitoring reports that will inform on disclosure dates of site specific Environmental and Social Impact Assessments (ESIAs), community consultations and training on ESIAs including descriptions of the process for the preparation of community upgrading plans, grievance reports including any grievances regarding land acquisition and compensation issues.

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<sup>36</sup> In Indonesia, Kampung Improvement Program (1969-89) succeeded in extending improvements reaching an estimated 15 million beneficiaries, spread in nearly all the 300 local government units in the country.

<sup>37</sup> IDA's engagement in Kabul under KURP and now under KMDP is already starting to demonstrate institutional development impact, most notably on the refinement of technical standards for infrastructure in unplanned settlements, increase in community contributions, and the initiation of a dialogue with KM on betterment levies.

<sup>38</sup> The PMU that implemented KURP under the Ministry of Urban Development Affairs (MUDA) has moved to KM during project preparation.

## C. Sustainability

28. The institutional development impact of urban upgrading supported under KURP has been significant<sup>39</sup> and the government has expressed keen interest in scaling-up the results achieved under the KURP to integrate informal settlements into the main fabric of Kabul. A National Upgrading Policy, developed by the Ministry of Urban Development Affairs (MoUDA), provides a framework for all urban municipalities to undertake upgrading and deliver basic municipal services to un-served or under-served human settlements. *Ownership at the community level* has been addressed throughout project preparation by applying processes guided by the Community Consultation Manual (CCM)<sup>40</sup> – participation by beneficiaries, as under KURP, will have a direct impact on KMDP’s ability to manage social safeguard issues.

29. KM is responsible for the O&M of public goods. The O&M responsibility for private goods provided by the project lies with the utilities upon payment of user charges by beneficiaries.

## V. KEY RISKS AND MITIGATION MEASURES

### A. Risk Ratings Summary Table

*Table 2: Risk Ratings Summary Table*

Risk	Rating		Rating
<b>Stakeholder Risk</b>	H	<b>Project Risk</b>	S
<b>Operating Environment Risk</b>		- Design	S
- Country	H	- Social and Environmental	S
- Sector and Multi-Sector	S	- Program and Donor	S
<b>Implementing Agency Risk</b>		- Delivery Monitoring and Sustainability	H
- Capacity	S	- Governance	S
- Governance	S	<b>Overall Implementation Risk</b>	S

### B. Overall Risk Rating Explanation

30. The overall security situation in Afghanistan makes any operation in the country highly risky due to political and economic uncertainties as well as difficulties in project implementation and supervision. Deterioration in the security situation exacerbates risks, especially given the dependence of the construction industry on imports. Specific sector related risks are mostly due to inadequacies in planning, budgeting, and execution in KM. Project preparation progress has been satisfactory because of the quality of staff in KM’s KMDP Team. Governance risks are being addressed on a countrywide basis and will also be followed in this project. Despite the

<sup>39</sup> Implementation Completion Report, February 28, 2013, Report No. ICR2242, World Bank.

<sup>40</sup> The CCM includes draft by-laws for community representative bodies and a mechanism for redressing grievances, both of which worked well under KURP. These processes have facilitated the establishment of elected community councils called Gozar Cooperating Shuras (GCSs), which are local-level, democratic and inclusive representative bodies.

uncertainties associated with operating in Afghanistan, the overall risk is rated “Substantial” because of the experienced staff managing the project.

## VI. APPRAISAL SUMMARY

### A. Economic Analysis

31. Economic evaluation was undertaken on the basis of land/property value increases in select neighborhoods upgraded under KURP, which are similar to the sites to be upgraded under KMDP. Similarities between the KMDP sites and KURP sites exist in terms of population density and infrastructure upgrading costs. The analysis was conducted for three representative sites<sup>41</sup>: a planned settlement, an unplanned settlement, and a mixed settlement. The analysis considered “with” and “without” the project scenarios. Expected benefits include time savings, as a result of the provision of all-weather road access to homes; expansion of drinking water supply, which in addition to time savings is expected to also reduce income loss due to sickness and medical expenses; and increased economic growth. The economic rate of return of providing basic services in the three settlements ranges between 74% and 95%. On average, the net present value of upgrading is approximately US\$1.24 million/hectare at a 10 percent discount rate. The economic evaluation was not updated with the additional investments in goods for the roads and sanitation department that were added after pre-appraisal<sup>42</sup>. No quantitative economic analysis was carried out for the other components. Studies for the redesign of KM FM system and the drainage studies will yield benefits that are not easily quantifiable as they are inputs for future support. The HH survey will provide data for monitoring the demand side for service delivery, and investment planning.

32. Sensitivity analysis was undertaken to evaluate the impact of changes in costs and benefits on the base case estimates. The combined effect of 20 percent increase in costs and a decrease of the same amount in benefits for each of the sites was computed (Table 3). The ERR for the informal and mixed sites were revised to 80 percent and 82 percent, respectively. For the planned site, ERR diminished to 64 percent as against 74 percent in the baseline case without any cost/benefit distortions. Table 3 below summarizes the results of the economic analysis.

**Table 3: Results of Economic Analysis**

Type of Settlement	Economic Rate of Return (ERR) (%)		Net Present Value (NPV) (US \$ Million)	
	Base Case	Sensitivity case	Base Case	Sensitivity case
Informal	95	80	24.92	19.58
Mixed	94	82	36.95	29.21
Formal (Planned)	74	64	29.46	29.46

*IDA Staff Estimates*

33. Fiscal impact analysis focused on the relative effect of the project on KM’s revenue budget once implementation is complete. Component A will generate additional O&M expenditures – these are however not material. The overall gross fiscal impact represents about

<sup>41</sup> Andrabi, Karte-e-Sakhi and Karte-e-Mamoreen

<sup>42</sup> Missions were suspended during Appraisal and negotiations

0.9% of KM's total revenue budget in the sixth year of project implementation and is fairly small in relative terms. Some revenue improvements are expected to occur as a result of the technical assistance to be provided by the Revenue Advisor to KM's Finance and Administration Department. Improvements are also expected to occur as the study for the Redesign of KM's FM system provides immediate, medium and short term recommendations, some of which would be possible to implement right away.

## **B. Technical**

34. The provision of basic services in unplanned settlements of Kabul covering about 33,725 hectares could cost over US\$799 million. The project's design is underpinned by: *first*, the adoption of appropriate technical standards so that effective, manageable infrastructure is developed, and *second*, greater self-reliance for financing infrastructure.

35. Selection criteria for areas identified to receive project investments are the same as those developed under KURP. Investments include trunk investments (off-site) within existing ROW and community level infrastructure (on-site). The average current unit costs of upgrading unplanned settlements has dropped to US\$22,323 per hectare, about 20 percent lower than under KURP. This is a consequence of rationalization of technical standards for roads/drains and the Due to revised technical standards and the integration of urban design principles for the design of roads, drains and community streets<sup>43</sup> under this project.

36. The inclusion of a comprehensive study to redesign KM's FM system will enable donors to support implementation of institutional reforms that would lead to reducing reliance on donor resources, better service delivery, and sustainability of services from infrastructure assets being created by both KMDP and KUTEI, by KM with its own resources, and assets financed by other donors. A Municipal Finance Advisor to support KM's Deputy Mayor of Finance and Administration will enable better facilitation and coordination of the study under Component B: Redesign of KM's FM System. The Advisor would also initiate implementation of some of the "easy to implement" recommendations from the study that would augment KM's capacity. Over the course of implementation, KM is expected to identify and pilot implementation of new sources of cost recovery, particularly betterment levies from residents of areas that receive a package of basic municipal services. Support for the Departments of Sanitation and Roads is expected to improve the efficiency of these Departments, particularly with respect to fuel consumption. Studies financed by the project will be an input for the preparation of future donor support for KM.

## **C. Financial Management**

37. The results of the FM assessment of KM revealed lack of sufficient capacity within its finance department to carry out the FM functions for the project in a satisfactory manner. The

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<sup>43</sup>Highest priority is given for pedestrian movement and the creation of landscaped public open spaces within settlements is the technical criteria applied to develop in-situ technical standards for road design. This has led to significant cost reductions, as instead of paving entire rights-of-way available inside a settlement for access, a standard width of 2.8m has been adopted – this allows two vehicles to pass, while the remaining linear space is being designed as landscaped open spaces.

staff do not have the required experience and qualifications to handle project FM functions independently. KM's financial management systems will require substantial support over time to build adequate capacity for managing a Bank-supported project. To mitigate against the risk posed by this limited capacity, KM has in place a team of professionals (the KMDP team) that includes FM staff who will carry out the FM functions for the project. KMDP team is staffed with adequately qualified personnel, well experienced with the implementation of IDA supported projects. With this mitigation measure in place, and the centralized arrangements for accounting and audit, the FM arrangements for the project are acceptable to IDA

38. In the event of declaration of an emergency, emergency lending procedures will govern disbursement and FM.

#### **D. Procurement**

39. The results of the procurement risk assessment<sup>44</sup> of the implementing agency, KM, revealed a lack of a clear system of accountability with clearly defined responsibilities and delegation of authority on who has control of procurement decisions. There exist no internal manuals that provide clarity on procurement processes. There is no disclosure policy (debriefing, award decision and Right to Information), nor any mechanism for receiving and handling complaints. Additionally, KM does not have adequate, qualified and experienced staff for managing procurement.

40. In the absence of adequate capacity in KM to manage procurement activities effectively, KM has established a team of professionals who will be responsible for procurement under this project. KMDP has prepared an implementation manual that includes a section on procurement, and a system of accountability for procurement decisions. A procurement plan for the entire six years of the project agreed with IDA, provides the basis for the procurement methods and is available at the KMDP office. Works contracts valued at US\$10.2 million are already under implementation. Advance procurement for Works valued at US\$10 million and Goods valued at US\$20.0 million are complete. Draft TORs for large consultancies are ready.

41. Should component E be triggered, KM will use reallocated funds<sup>45</sup> to procure necessary goods, works and consulting services using simplified procurement arrangements (see Annex 3).

#### **E. Social (including Safeguards)**

42. The main public sector stakeholders for this project are KM, the Afghanistan Urban Water Supply and Sewerage Corporation (AUWSSC), Wakils, the Gozar Community Shuras (GCS), and the beneficiaries. Stakeholders will continue to play important roles. In keeping with the consultative processes outlined in the Community Consultation Manual (CCM), investments in residential settlements will be agreed upon through a consultative process with the elected GCS of the beneficiary community.

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<sup>44</sup> Refer to Bank's P-RAMS for more detail.

<sup>45</sup> Execution of the reallocated funds will be procured based on *Guidance Note: Rapid Response to Crisis & Emergencies – Streamlined Procurement Procedures* (June 2009), which is implemented under OP/BP 10.0, *Rapid Response to Crisis and Emergencies*.

43. The Involuntary Resettlement (OP/BP 4.12) policy is triggered in case land acquisition is needed. OP 4.11 on Physical Cultural Resources is triggered as historical buildings may exist in the selected neighbourhoods. An Environmental and Social Management Framework (ESMF) has been prepared to guide preparation of an Environmental and Social Management Plan (ESMP). The ESMF includes mitigation strategies for identified social impacts, including for physical cultural resources. The Resettlement Policy Framework (RPF) prepared by KM for KUTEI will apply to KMDP.

44. Relocation and resettlement are not expected since infrastructure improvements involve rehabilitation within the existing ROW. If minor land acquisition is necessary, available government land will be used, compensation payments made, or land will be obtained through private voluntary donations and community compensation will be documented. Meaningful consultation with community members, particularly with the affected persons (APs)<sup>46</sup> will be in accordance with the CCM.

45. KMDP's Safeguards staffs are trained in handling complaints, and IDA will provide refresher training during implementation. The Grievance Redress System (GRS) established under KURP will handle grievances under KMDP. KMDP will maintain records in a central database to enable monitoring and analysis. GCSs will be established at the gozar or neighbourhood level, and the formation of GCSs will be continued as established under KURP. Encouraging the formation of female GCSs to increase women's participation in the project will be continued as established under KURP. Nodal Complaint Volunteers have been identified by GCS to inform community members on how to register their complaints. This mechanism has worked well under KURP, and will continue under KMDP.

#### **F. Environment (including Safeguards)**

46. The project is an Environment Category B project because Component A may cause localized and temporary adverse environmental impacts, thus triggering the Environmental Assessment (OP/BP 4.01) policy. Negative impacts under KMDP will be mitigated through the integration of ESMPs in bidding documents. Requirements for land mine clearance are included in ESMFs.

47. Environmental and social issues associated with Component E will have a disbursement condition: KM will carry out a screening of activities included in the CER Implementation Plan for any potential environmental and social impacts. Should this screening require a modification of the Environmental category of the Project and/or the trigger any of the IDA's safeguards policies, the project will be restructured.

#### **G. Other Safeguards Policies Triggered (*if required*)**

48. Not Applicable.

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<sup>46</sup>The consultation process with APs is aimed at creating awareness regarding compensation payment and grievances redress mechanisms and will include the disclosure of the ESMF and distribution of informative material through various meetings.



**Annex 1: Results Monitoring Framework**  
**Afghanistan: Kabul Municipal Development Program**

<b>Project Development Objective: (i) Increase access to basic municipal services in selected residential areas of Kabul city.</b>													
PDO Level Results Indicators	Core	Unit of Measure	Baseline <sup>47</sup>	Cumulative Target Values						Frequency	Data Source /Methodology	Responsibility for data collection	Description (indicator definition etc.)
				2014 (YR1)	2015 (YR2)	2016 (YR3)	2017 (YR4)	2018 (YR5)	2019 (YR6)				
<b>Indicator One:</b> Number of beneficiaries from upgrading in both planned and unplanned areas that are upgraded.	No	Number	0	0	323,000	426,000	597,000	654,000	775,000	Bi-Annual	Field Survey	KMDP	
<b>Indicator Two:</b> Number of people in urban areas provided with access to all-season roads within a 500 meter range under the project	Yes	Number	0							Bi-Annual	Field Survey	KMDP	
<b>Project Development Objective: (ii) Redesign KM's Financial Management System to support better service delivery when reforms are implemented.</b>													
PDO Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source /Methodology	Responsibility for data collection	Description (indicator definition etc.)
				2014 (YR1)	2015 (YR2)	2016 (YR3)	2017 (YR4)	2018 (YR5)	2019 (YR6)				
Report on FM reforms		NA	NA	RFP issued	Contract signed	Study Completed							

<sup>47</sup> The baseline for the PDO Level Results Indicators is 0 because the communities in the selected area have no access to the municipal services being provided by the project.

INTERMEDIATE RESULTS													
Component A. Infrastructure Upgrading Program													
Sub-component A (i): Upgrading of basic municipal infrastructure.													
Intermediate Result (Component A(i)): Number of hectares upgraded.													
PDO Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source /Methodology	Responsibility for data collection	Description (indicator definition etc.)
				2014 (YR1)	2015 (YR2)	2016 (YR3)	2017 (YR4)	2018 (YR5)	2019 (YR6)				
Area upgraded	No	Hectares	0	187	587	943	1229	1442	1773	Bi-Annual			
Kilometers of community roads paved		Km	0							Bi-annual	KMDP	KMDP	
Kilometers of trunk roads paved		Km	0							Bi-annual	KMDP	KMDP	
Kilometers of trunk drain lined		Km	0							Bi-annual	KMDP	KMDP	
Sub-component A (ii): Goods and equipment.													
Intermediate Result A (ii): Goods and Equipment													
Ratio of annual mileage of Sanitation Department vehicles to fuel use <sup>48</sup>	No	Number	2.87	Cumulative Target Values						Bi-Annual	KM Dept. of Sanitation	KMDP	
				2014 (YR1)	2015 (YR2)	2016 (YR3)	2017 (YR4)	2018 (YR5)	2019 (YR6)				
									3.7				

<sup>48</sup> This indicator will report on any changes in efficiency of fuel use, both due to the monitoring through GPS of the Sanitation Department, as well as due to the deployment of low-energy goods purchased by KMDP. The target assumes at least a 30% increase in efficiency due to better route planning and fuel efficient vehicles.

## **Annex 2: Detailed Project Description**

### **Afghanistan: Kabul Municipal Development Program**

49. The Project Development Objectives are to: (i) increase access to basic municipal services through investments in critical infrastructure in selected residential areas of Kabul, (ii) redesign KM's Financial Management system to support better service delivery when reforms are implemented, and (iii) enable early response in the event of an eligible emergency.

50. In the event of an eligible emergency or crisis, this operation will also enable early emergency response through the provision of a quick access to funding. During the project restructuring for the Immediate Response Mechanism (IRM), the results framework will be adjusted to capture the results from the use of the funds for the IRM and reflect any significant changes expected in the original PDO.

51. The Project's four components are described below.

*A: Infrastructure Upgrading Program (US\$85 million)*

*B: Redesign KM's Financial Management System (US\$3 million)*

*C: Studies (US\$5 million)*

*D: Project Management, Design and Supervision (US\$17 million)*

*E. Contingency Emergency Response (US\$0)*

#### **Component A: Infrastructure Upgrading Program**

*(i) Upgrading of basic municipal infrastructure*

*(ii) Goods and equipment.*

#### ***A (i): Upgrading of basic municipal infrastructure: US\$65 million***

52. *Background:* In January 2005 the Bank estimated that almost 80 percent of the city's population lived in informal or unplanned settlements occupying almost 70 percent of the total land within Kabul's municipal boundaries<sup>49</sup>. Estimates developed by KMDP based on satellite imagery of 2012 highlight that of Kabul City's 48,493 hectares, formal settlements exist on about 13.5 percent of the land (6520.12 hectares), informal settlements on 69.5 percent of land (33,725.57 hectares), with grabbed land accounting for about 6% (3,108.84 hectares). About 6.5 percent of land is with Government, and vacant land is about 4 percent.

- *Informal settlements cover a land mass over five times the area of formal settlements, highlighting the lost potential for revenues for KM.*
- *Even after completion of the upgrading of unplanned settlements under KMDP (1,376 hectares) and KURP (357 hectares), 31,992 hectares of unplanned areas will remain to be upgraded, and would conservatively cost about US\$799 million (with the inclusion of water supply).*

53. Almost 90 percent of unplanned settlements are on flat land, making the provision of municipal services and utilities cost effective. The Bank-supported KURP, which closed in April 2012, introduced integrated and comprehensive urban upgrading as a viable urban development

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<sup>49</sup> Source: Kabul City Area Map prepared by Kabul Municipal Development Program, 2013

tool for Afghan cities that have significant proportions of their populations in unplanned settlements.

54. Building on the experience of KURP, KMDP has developed an upgrading program. The area to be upgraded as estimated from the latest available satellite imagery is 1,773 hectares (see Table 4 below). This area includes both planned (27 percent) and unplanned areas (73 percent) that are underserved by basic services, as connectivity with trunk infrastructure is essential to make the unplanned areas inclusive. The selection of settlements to benefit from upgrading was guided by criteria established under KURP<sup>50</sup>. To better understand the socioeconomic characteristics of the beneficiaries, the KMDP Team completed a survey of 16% of the houses in six of the settlements and questionnaires were completed by 2,927 respondents. 50 percent of the population is male, and 50% is female. On average, the occupancy of a house is 12.2 people.

55. The process of finalizing community upgrading plans under this project remains the same as under KURP and is documented in the Community Consultation Manual: a series of community meetings with different social groups are held ensuring women's participation, to share information on upgrading; the range of service options available to communities, and problems and issues are discussed; election of representative committees<sup>51</sup> known as Gozar Shura Councils is facilitated; and an iterative process of identifying of community priority needs, consistent with services that the project can provide takes place and includes the selection of appropriate technical improvements, determination of the communities' willingness and ability to pay for recurrent costs for different infrastructure improvements and services (water utility bills, safayi tax, and betterment levies). Finally community upgrading plans (CUPs) are finalized. CUPs under KURP have typically included community roads and drains, footpaths, street lighting, community parks, community solid waste collection, and water supply. Trunk infrastructure essential for integrating unplanned settlements into the fabric of the city was also included. Unlike in KURP, in the 19 settlements for which CUPs have been developed under KMDP, communities have opted to use their own funds for sanitation improvements, small culverts, and street lighting (light bulbs on boundary walls), in exchange for having the project provide public spaces and greenery. Highest priority has been accorded by the project for pedestrian movement and the creation of landscaped public open spaces within unplanned settlements.

- The estimated unit cost for upgrading unplanned areas (not including water supply) is US\$22,323 per hectare. Should water supply become viable for inclusion, the costs per hectare would increase by an estimated US\$2,670.
- The estimated unit cost of upgrading planned areas (not including water supply) is US\$40,421 per hectare.

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<sup>50</sup> (i) Informal residential area, which is not under the government's short term plan. (ii) Informal residential area, which does not have basic municipal services. (iii) Residential areas with higher population density. (iv) Residential area, which has a shortage of or lacks basic municipal services and have environmental effects on surrounding areas. (v) Residential area having access to municipal networks (e.g. water, road, etc.). (vi) Informal residential area, which is built on private land. (vii) Informal residential area which is built on government land and Kabul Municipality agrees with its upgrading. (viii) Formal area, which is underserved and is located adjacent to an informal area which is under the upgrading plan or has already been upgraded. (ix) Informal residential area, which is located next to the upgraded formal areas and is underserved. (x) Residential area which has Shura (council) and are interested in upgrading. (xi) Priority for upgrading would be given to residential areas which have a history of 15 years or more.

<sup>51</sup> The KMDP helps establish a Shura, with equal male and female participation, as representatives of the gozar (neighborhood). The gozar is then further informally subdivided into clusters. Cluster representatives gather basic household information within the clusters to provide baseline data and to provide feedback on gozar upgrading plans. Additional details of this participatory process are included in the Project Implementation Manual.

56. This component will finance the provision of basic municipal services in 1,773 hectares of land, 73 percent being occupied by unplanned settlements and 27 percent by planned settlements. Trunk infrastructure to be financed includes the rehabilitation of 24.5 kilometers of roads within the existing right-of-way, and sealing of an existing waste water drain. Direct and indirect benefits are expected to accrue to an estimated 775,000 people.

**Table 4: Overview of Infrastructure Program and Beneficiaries**

<i>Years 1&amp;2</i>	<i>Unplanned Area in Hectares</i>	<i>Planned Area in hectares</i>	<i>Total Area in Hectares</i>	<i>Estimated number of Beneficiaries</i>	<i>Estimated Cost US\$ million</i>
<i>Year s1 &amp; 2</i>	395	192	587	323,000	20.60
14.1 Km Roads					
<i>Year 3</i>	243	113	356	103,000	11.5
<i>Year 4</i>	232	54	286	171,000	11.4
5 Km. Roads					
<i>Year 5</i>	188	25	213	57,000	10.2
5.4 Km Roads					
<i>Year 6</i>	318	13	331	121,000	11.30
<i>Total</i>	<i>1,376</i>	<i>397</i>	<i>1,773</i>	775,000	65.00

**A: (ii) Service Delivery Support for Sanitation and Roads Departments: US\$20 million**

57. *Background.* Kabul has approximately 140 km of primary arterial roads, 190 km of district arterial roads, secondary and tertiary roads. Primary and district arterials have recently been rehabilitated; however, most secondary, tertiary and community roads are either in very poor condition or are as yet unpaved. Most paved surfaces have deteriorated due to age, snow and frost, lack of proper drainage, and inadequate maintenance.

- *Regular maintenance of recently rehabilitated roads and improved capacity for clearing snow are both critical, and will be supported under the World Bank's Kabul Urban Transport Efficiency Improvement Project (KUTEI).*

58. In the *Solid Waste* sector, donor support had been piecemeal and rarely tackled either the operational aspects of municipal waste management, or the underlying institutional and financial environment within which the sector operates. In order to address the sector issues more holistically, in 2007 the Bank supported the preparation of the Kabul Waste Management Project (KWMP). The project was not approved due to concerns about poor management of municipal finance in KM and an inadequately developed human resource system for the Department of Sanitation.

- *Improvements in the operations of the Department of Sanitation, introduction of private sector participation in the waste management sector and improvements in the capacity of the department of sanitation and improvements in municipal finance, were and remain key to date, for ensuring the sustainability of future municipal waste management operations.*

59. KM's Sanitation and Roads departments currently manage a fleet of 667 motor vehicles without an inventory management system to control maintenance and repairs, and fuel consumption which is reported to be about 811,580 liters per month. The Sanitation Department reports that between March 2012 to March 2013, 190 of the Department's larger vehicles traversed 8991840 kilometers and consumed 3126707 liters of fuel (717450 liters of petrol and

2409257 liters of diesel<sup>52</sup>). To enable improvements within the Department of Sanitation, this sub-component will finance technical assistance to support the department develop collection improvements in-house over the duration of the project. In addition, this subcomponent will finance select equipment for cleaning snow off primary arterial roads and for maintaining rehabilitated secondary and community roads; select equipment for solid waste collection and transfer, for emptying septic tanks, for the suction of accumulated rain water, and for sweeping of roads. It will also finance GPS trackers on 667 of KM's vehicle fleet and control room equipment for monitoring usage and fuel consumption. This subcomponent will also finance the services of an international advisor to support the Departments of Sanitation to design and implement actions to improve the efficiency of sanitation services delivered. *The Kabul Urban Transport Efficiency Improvement Project (KUTEI), prepared concurrently with KMDP, will provide support to the Roads Department which is the beneficiary of equipment procured under KMDP.*

**B: Redesign of KM's Financial Management System: US\$3 million**

60. *Background:* There is a history of reforms in KM. In 2005, following a report on KM's finances, technical assistance was provided to KM for a year, and considerable progress was made in certain areas. A new Chart of Accounts was devised and staff was trained on it; bank reconciliation procedures were introduced with respect to both income and expenditure at the District as well as at Headquarters; groundwork for the introduction of double-entry accounting was laid, including the design of a methodology for the entry of vouchers and for the validation of basic accounting data; an Accounting Cell was established, a guidance document for the accounting function was prepared, forms and registers were designed, and capacity building activities were delivered. This enabled KM to prepare its Financial Reports on a regular basis, put in place appropriate accounting procedures and internal controls, ensure regular reconciliations with the Special Disbursements Unit (SDU) in the Ministry of Finance, recover advances on a regular basis, verify overtime payments, reconcile income figures, produce expense reports electronically, make annual figures available for both revenues and expenditures, and publish annual financial reports. *Major weaknesses remained in budget formulation, budget execution, revenue audits, and reconciliation by sources of revenue on a monthly basis.*

61. *Current Status:* Budget formulation is affected by a lack of timely information on revenue collection as collection is entirely manual. Expenditure decisions are therefore made in the absence of knowledge on the real fiscal situation of the city. A reserve fund has therefore been operating for years to ensure that the city can cover its monthly expenditure obligations in a timely manner, in the event that monthly revenues are insufficient at any time. *Budget execution* is affected by lengthy and time consuming procurement processes and KM's own weaknesses in investment planning. KM is required by law to allocate 55 percent of its annual revenue towards its capital budget. In 2011-2012, KM was able to execute only 37.2 percent. The average execution of its operating budget is about 95 percent: over half of the operating budget is absorbed by staff salaries (40.9%), fuel (34.8%) and maintenance of vehicles (13%).

62. *Revenues:* The current revenue administration was established for a city of about one million people. Kabul's monthly revenue is collected by KM's branch offices of the Revenue Department in the twenty two districts. With population growth, KM's institutional capacity has lagged behind - an average of three staff per District are responsible for all municipal revenue

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<sup>52</sup> This is the data that has been as a baseline for the Results Framework.

collection - taxes, user charges on municipal services, rents, fees, licenses and all other revenues. Revenue reports of the 22 districts are manually handled at KM's headquarters, slowing down the revenue accounting process. Revenue enforcement is weak; reportedly, "safayi tax" rolls contain only about 100,000 registered tax payers in a city of approximately one million families. Revenue enforcement is rendered legally ineffective as there is no reference in the existing Urban Service Charge law to the existing Debt Collection Law.

63. Almost 70 percent of total annual revenue is derived from four sources although KM manages 48 sources of revenue. Six sources generate almost 82 percent of the yield. Over half the total revenue comes from four of the twenty two KM Districts: Districts 1, 2, 4 and 9 collect 51% of KM's annual revenue. Almost 70% of the total current revenue accrues to KM from the Safayi charge (17.3%), vehicle tax (15.4%) and the individual tax (11.2%).

64. Support to improve KM's Financial Management System will require improvements in revenue management, accounting, and management development in KM – and these will need the integration of IT solutions.

65. To redesign KM's financial management system to support better service delivery, this component will finance (i) an International Advisor on Municipal Finance (IAMF); and (ii) a Consulting Firm.

(i) The International Advisor on Municipal Finance (IAMF) will assist the Deputy Mayor of Finance and Administration, to support coordination of the Consulting Firm's work with various departments of Finance and Admin at Head Quarters and District levels to ensure comprehensive diagnostic for (i) Financial Management Accounting Reforms, (ii) Revenue Reforms, and (iii) Management Reforms.

- TOR for the IAMF are ready.

(ii) Given the complexity of institutional reforms and the complexity of procurement, a two-phased approach is proposed. The first phase, which will be financed by this project, consists of a diagnostic phase which will assess the reform needs and the feasibility of possible options. The output of this phase will be a fully-costed, time-bound realistically sequenced action plan for the implementation of institutional reforms that integrate IT solutions for revenue management, accounting, and management development in KM. This consultancy will be the basis to develop either a separate standalone project to implement the recommendations or implement a slice of the recommendations under this project either through reallocation of uncommitted funds or through additional financing. Findings from the study would be reviewed during the Mid Term Review to inform the need further support.

- TORs for this Consultancy are ready.

## **C: Studies: US\$5 million**

66. **C: (i) Household Survey (US\$1 million):** This subcomponent will finance the one-time procurement of hardware and software for a paper-less survey<sup>53</sup> and data collection through geo-

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<sup>53</sup> Technical assistance for the design and supervision of this survey for the first time, expected to be repeated twice during the project's life, will be provided by the Bank as part of the technical support for the South Asia Regional Urbanization Study.

referenced household surveys undertaken with technical support from the Central Statistics Office to ensure consistency with the CSO's enumeration areas, maps of enumeration areas and the population in each enumeration area for the whole city. The survey will be outsourced to private firms twice during the project's life. Results of the survey will help the CSO deliver reliable data on service delivery, and enable the allocation of KM's development budget to be more effectively responsive to demands for service delivery, in addition to enabling KM monitor the impact of its expenditures.

67. C: (ii) ***Drainage studies : (US\$4 million)***: This component will finance the preparation of a master plan for the storm water drainage system of Kabul city to meet the expected demand of year 2030 and beyond. The study will examine the topography of Kabul, identify the best possible route for water discharge, review how existing structures have affected natural drainage, examine potential blockages with increased discharge in the future, and suggest options for the current and future flow of water. The study will prioritize and estimate the costs of different options, to inform the preparation of detailed designs under a future study. It will also finance a detailed study for the Kanal Wazir Abad catchment area and surroundings, and provide options for solving the flooding and surface water accumulation problems that routinely impact residents and businesses in the basin. KMDP has selected this basin as a priority basin for interventions; however, should the master plan not recommend this basin as a priority basin within the overall drainage master plan of Kabul, another basin would be selected. In the selected basin, the study will undertake a technical survey of the existing drainage system, identify technically/ socially/ culturally feasible options to solve the flooding problem, and depending on the preferred option selected by KMDP, develop detailed engineering designs for implementation. *The completion of this study would be an input into future donor support for infrastructure development in Kabul.*

- TORs for this study are ready for review by IDA.

#### **D: Implementation and Support (US\$17 million)**

68. D: (i) ***Salaries of Contract Staff and incremental staff costs to Support Implementation/Design/Supervision and Project Management (US\$13.5 million)***<sup>54</sup>: This subcomponent will finance the costs of contract staff of Kabul Municipality that make up the KMDP Team for six years. The social team of KMDP will undertake social mobilization of communities in settlements, community organization, development of community upgrading plans, and the detailed design and supervision of infrastructure works. It includes the incremental operating costs of management monitoring and reporting.

69. D: (ii) ***Short-term individual consultants (US\$1.5 million)***: This subcomponent will finance short term individual consultants for specific tasks that may be needed during implementation, e.g. workshop facilitation, report writing, translation and so on.

70. D: (iii) ***Knowledge sharing (US\$1 million)***: This subcomponent will finance professional training, workshops, and knowledge sharing events for the KMDP Team and Kabul Municipality

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<sup>54</sup> Under KURP, 42 PMU contract staff with the support of 98 consultants managed a total of US\$33.8m. Project management costs and design and supervision costs were therefore 31%. In the case of this project, as a result of in-house design and supervision of works, and project management by Afghans, the percentage of overall design / supervision and project management is 5.3%.



Staff. It will also include training and workshops on topics for which there could be a demand from KM (e.g. land based financing, asset management, betterment levies, property taxation, etc.).

71. ***D: (iv): Office Building for KM's Upgrading Program (US\$1.0 million):*** An upgrading program for the delivery of basic services in Kabul's unplanned settlements alone, estimated to be about 32,000 hectares, will require significant investments and time. This subcomponent will support the construction of an office building for KM's infrastructure improvement program. The current monthly rent for KMDP offices is US\$4,400 per month – over six years of this project's life, the project would have expended US\$0.30million. The current monthly rent for the KUTEI offices is US\$4,000 per month – over six years of the project's life, KUTEI would have expended US\$288,000. Construction of a functional purpose built building is justified on grounds of the savings in rent that would start to accrue in 2016.

72. ***Contingency Emergency Response:*** Following an adverse natural or man-made event that causes a major disaster, the Government may request the Bank to re-allocate project funds to this component (which presently carries a zero allocation) to support response and reconstruction<sup>55</sup>. This component could also be used to channel additional funds should they become available as a result of the emergency. Disbursements under the Contingency Emergency Response Component (CERC) will be contingent upon the fulfillment of the following conditions: (i) GoIRA has determined that an eligible crisis or emergency has occurred and the Bank has agreed and notified the Government; (ii) KM has prepared and adopted the Contingent Emergency Response (CER) Implementation Plan agreed with the Bank; (iii) KM has prepared, adopted, and disclosed safeguards instruments required as per Bank guidelines for all activities from the CER Implementation Plan for eligible financing under CERC.

73. Disbursements would be made against a positive list of critical Goods or the procurement of Works, and consultant services required to support immediate response and recovery needs. Should it be triggered, all expenditures under this component will be in accordance with paragraph 11 of OP 10.00 and will be appraised, reviewed and found to be acceptable to the Bank before any disbursement is made. In accordance with paragraphs 11 and 12 of OP 10.00, this component would provide immediate and rapid disbursement support to finance the necessary Goods (as per the positive list agreed with the Government), Works, and Services. Operating costs eligible for financing would include incremental expenses incurred for early recovery efforts arising as a result of the major natural disasters.

74. Goods, Works and Services under this component would be financed based on review of satisfactory supporting documentation presented by the government including adherence to appropriate procurement practices in an emergency context. All supporting documents for reimbursement of such expenditures will be verified by the Internal Auditors of the Government and by the Project Director, certifying that the expenditures were incurred for the intended purpose and to enable a fast recovery following the damage caused by adverse natural events, before the Withdrawal Application is submitted to the Bank. This verification should be sent to the Bank together with the Withdrawal Application.

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<sup>55</sup>Such a reallocation would not constitute a formal Project restructuring, as permitted under the particular arrangements available for contingency emergency response components (ref. Including Contingent Emergency Response Components in Standard Investment Projects, Guidance Note to Staff, April 2009, footnote 6).

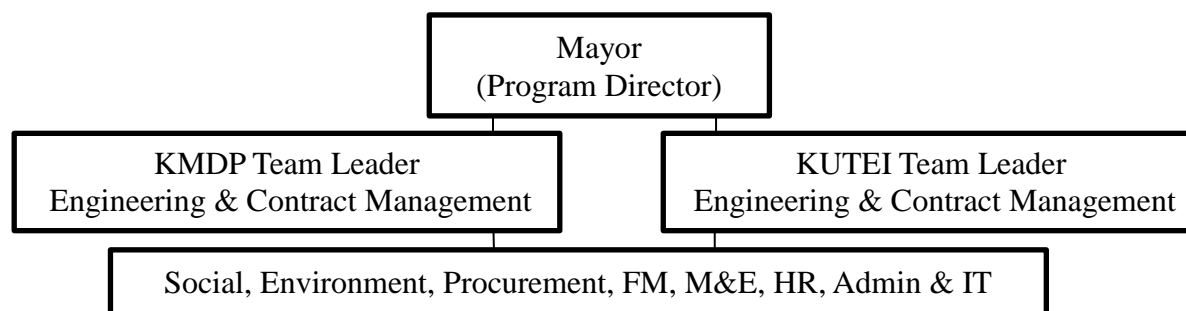
75. Specific eligible expenditures under the category of **Goods** may include: (i) construction materials; water, land and air transport equipment, including supplies and spare parts; (ii) school supplies and equipment; (iii) medical supplies and equipment; (iv) petroleum and fuel products; (v) construction equipment and industrial machinery; and (vi) communications equipment. **Works** may include urgent infrastructure works (repairs, rehabilitation, construction, etc.) to mitigate the risks associated with the disaster for affected populations. **Services** may include urgent studies (either technical, social, environmental, etc.) necessary as a result of the effects of the disaster (identification of priority works, feasibility assessments, delivery of related analyses, etc.).

### Annex 3: Implementation Arrangements

#### Afghanistan: Kabul Municipal Development Program

76. **Project Administration Mechanisms:** The project will be implemented by Kabul Municipality (KM) with the assistance of a well-staffed Team that was established under the Kabul Urban Reconstruction Project (KURP). This Team, responsible for the design and supervision of upgrading activities, has well-qualified engineers, procurement and contract management specialists, and social and environmental specialists who are familiar with World Bank processes and guidelines. An economist has been recruited to facilitate the Household Survey, monitor socio-economic developments under the project, and to collect data on indicators used to evaluate achievement of project objectives. The KMDP Team will have monthly coordination meetings with AUWSSC as well as KM's Sanitation Department.

77. The diagram below represents the common implementation arrangements for KMDP and Kabul Urban Transport Efficiency Improvement (KUTEI) project under the Office of the Kabul Mayor.



#### Financial Management

78. Considerable support was provided and reforms undertaken in the accounting and financial management system in KM in 2006-2007. A recent FM assessment of KM, however, highlighted that substantial improvements are still needed to enhance its accounting and reporting system as well as its internal audit function. Consequently, the overall FM risk rating for the implementing agency is *high* but the residual risk rating after application of the main mitigating measure, the establishment of a dedicated KMDP Team for the management of the project, is *substantial*.

79. The KMDP Team is fully staffed with adequately qualified personnel, well experienced with the implementation of IDA supported projects, including a Finance Officer qualified in Accounting and Finance, as well as an accountant. The sections below describe how the FM arrangements for the project are designed:

80. **Budgeting:** KMDP will prepare annual work plans and annual budgets on behalf of KM, and be responsible for ensuring that project expenditures for each fiscal year are captured in the annual budget<sup>56</sup> of the Ministry of Finance (MoF).

<sup>56</sup>The budgeting process and the key roles and responsibilities of Budget team/committee will be detailed in the FM Manual.

81. *Flow of Funds.* The standard mechanism for flow of funds in Afghanistan will be followed in this project. An advance of project funds will be deposited in the Designated Accounts (DA) for KMDP to be opened at the DA Afghanistan Bank (DaB) and operated by the Special Disbursement Unit (SDU) in the Treasury Department of MoF. SDU will make payments upon request from KMDP to vendors, contractors, suppliers and other third parties. Expenditures for each component will be paid after relevant approvals from KM and in accordance with the approval mechanisms documented in the project's FM Manual which is part of the Implementation Manual that was reviewed and cleared by IDA in May 2013.

82. *Withdrawal Applications:* Withdrawal applications for the replenishment of project funds to the DA will be prepared by KMDP and submitted to SDU for review, approval and processing. MoF can authorize disbursement from the Grant. Copies of signatures of authorized signatories in MoF are on file with the Bank<sup>57</sup>.

83. *Accounting system and Maintenance of Accounting Records:* Project transactions will be recorded in the AFMIS by SDU. KMDP will follow the Afghanistan system of accounting, which is on a cash basis, maintain a basic accounting system to ensure that all project transactions are captured in a timely manner, and develop a chart of accounts reflecting project components and categories of expenditures to enable analysis during and after implementation. The accounting system will be capable of producing FM reports such as the IFR and financial statements. For internal control purposes, there will be a segregation of duties between the person who records expenditures and the person who reviews and posts the entry.

84. The KMDP will: (i) Supervise preparation of supporting documents for expenditures; (ii) Prepare payment orders (Form M16); (iii) Obtain approval for M-16s by the Mayor or his designee depending on the amount; and (iv) submit them to SDU for verification and payment. KMDP will maintain copies of all supporting documents attached to Form M16, maintain essential project transaction records using a computerized accounting system that will generate the required monthly, quarterly, and annual reports, and reconcile accounts with the AFMIS and the Bank's client connection on a monthly basis.

85. *Internal Control.* KM has developed a FM manual, found acceptable to the Bank. This manual summarizes project FM arrangements. SDU will be responsible for maintaining project accounts and recording all project expenditures and receipts in the Government's accounting system. KMDP will conduct monthly reconciliation of project expenditure records with MOF records and project accounts book balance with the DA balance per bank statement, and will follow up and clear rejected applications and prepare a monthly reconciliation between project records and client connection to ensure that variances are dealt with in a timely manner.

86. The project internal audit will rely on the internal audit function of MoF for quarterly audits and to provide quarterly reports on project internal controls.

87. *Financial Reporting.* Financial Statements and Project Reports will be used for project monitoring and supervision and will be prepared monthly, quarterly, and annually by KMDP. These reports will be produced based on four sources: (a) Project accounting system; (b)

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<sup>57</sup> Detailed FM report as an optional Annex in Project Files.

Expenditure statements from SDU (as recorded in AFMIS) and reconciled with the project records; (c) Bank statements from DAB; and d) World Bank client connection.

88. Quarterly project IFRs will be provided to the Bank within 45 days of the end of each quarter in the agreed format.

89. *Arrangements for External Audit:* Project accounts will be audited by the Auditor General, with the support of the Audit Advisor, with terms of reference satisfactory to IDA. Audit of the project accounts will include an assessment of: (a) adequacy of the accounting and internal control systems; (b) ability to maintain adequate documentation for transactions; and (c) eligibility of incurred expenditures for Bank financing. The audited annual project financial statements will be submitted within six months of the close of fiscal year.

Responsible Agency	Audit	Auditors	Date
KM/KMDP Team	SOE, Project Accounts and Designated Account	Auditor General	Within 6 months after the end of the Fiscal Year

90. Currently there are no Bank-financed projects or any overdue audits pertaining to KM.

91. *Financial Management for Component E.* OP / BP 10.0 emergency lending procedures will govern FM for Component E. An ex-poste Independent Audit may be requested to be carried out by the Office of the Auditor General to evaluate disbursements for eligible expenditures under this component. Records or summary reports of expenditure will be maintained. KMDP will not use critical goods financed under this component for military or para-military purposes. If the Bank determines that the proceeds of the Grant were used to make a payment for either (i) ineligible expenditures, or (ii) goods eventually used for military or para-military purposes, the Government will reimburse the amount of such payments or the costs of these goods. All amounts so refunded to the Bank will be subsequently cancelled by the Bank.

## Disbursements

92. *Disbursement Methods.* Disbursements procedures will follow World Bank procedures<sup>58</sup>. Table 1 shows the allocation of Grant proceeds in a single, simplified expenditure category. The single category for "goods, works, consultancy services, training, and operating costs" is defined in the grant agreement.

93. *Summary Reports:* Summary reports in the form of Summary Sheet will be used for expenditures on contracts valued at US\$500,000 or more for civil works, US\$200,000 or more for Goods, US\$100,000 or more for Consulting Firms, and US\$50,000 or more for individual consultants. Supporting documents, such as invoices or receipts etc., will be required for claims of these project expenditures. Project expenditures on contracts below the above thresholds, training and workshops, incremental operating costs will be claimed through the Statement of Expenditures.

94. *Bank Accounts:* Two bank accounts will be opened for this project. A Designated Account (DA) managed by the MoF will be opened at the Da Afghanistan bank in USD. This DA can be

<sup>58</sup> World Bank disbursement procedures described in the World Bank Disbursement Guidelines and the Disbursement Handbook for World Bank Clients (May 2006).

used to make any payments. A Project Account (PA) managed by KMDP will be opened at the Da Afghanistan bank in USD. The PA will receive advances from the DA equivalent to three months of projected disbursements. KMDP will use the PA funds to make payments, other than salaries, operating costs and payments for contracts subject to prior review by IDA which shall only be paid from the DA. The PA will seek replenishment from the DA only upon acquittal of advances every thirty days but no later than ninety days. KMDP will provide monthly reports to MoF on the use of the cash advances. In the event of any ineligible expenditure caused by Kabul Municipality, the Ministry of Finance will receive refund of the said amount from Kabul Municipality.

95. *Direct Payments and Special Commitment:* Third-party payments (direct) and Special Commitments will be permitted for amounts exceeding US\$250,000. Direct payments will require supporting documentation in the form of records (copies of invoices, bills, purchase orders, etc.). For special commitment, a withdrawal application from the project, together with a copy of letter of credit issued by a commercial bank or financial institution, will be required.

**Table 5: ARTF Financing by Category of Expenditure (US\$110 million)**

<b>Expenditure Category</b>	<b>Amount of the Grant Allocations</b>	<b>Financing Percentage</b>
	<b>ARTF (in US\$ M)</b>	
(1) Goods, works, non-consulting services, consultants' services, training, Incremental Operating Costs, and Unallocated	110	<b>100</b>
Contingency Emergency Response	0	<b>100</b>
<b>Total</b>	<b>110.0</b>	<b>-</b>

96. *Disbursement for Component E CERC:* Disbursement under Component E will be governed by OP/BP 10.0 emergency lending procedures. Disbursement for eligible expenditures will include advances to the designated accounts, direct payments to suppliers, reimbursements and special commitments. For critical goods, the Bank will reimburse expenditures made on the basis of: (a) evidence of the purchase of Critical Goods (e.g., bills of lading) certified by the Recipient's customs department for imported goods and the Accountant General as well as KM for locally procured goods; (b) evidence of payment for Critical Goods (e.g., receipts or retirement documents with respect to letters of credit, payment vouchers); and, (c) letters of comfort or affidavits from the KMDP and the Auditor General of Afghanistan certifying the retroactive, current, or expected use of the Critical Goods for Component E, including details of the Critical Goods.

## **Procurement**

97. Procurement for the project will be administered in accordance with the World Bank's Guidelines: Procurement under IBRD Loans and IDA Credits dated January 2011 Guidelines: Selection and Employment of Consultants by World Bank Borrowers dated January 2011 and the provisions stipulated in the Financing Agreement. In addition, the World Bank's Guidelines on Preventing and Combating Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants dated October 15, 2006 revised in January 2011 has been shared with the recipient. The

World Bank's Standard Bidding Documents, Requests for Proposals, and Forms of Consultant Contract will be used. Civil works and goods following National Competitive Bidding (NCB) procedures shall be procured using the agreed Standard Bidding Documents (SBDs) for Afghanistan. It has been agreed by both parties that in the event of a conflict between IDA Procurement/Consultant Guidelines, as per Article 4 (2) of the Procurement Law July 2008 (Amendments in January 2009 incorporated) of the GoA, the IDA Procurement/Consultant Guidelines shall prevail.

98. *Procurement of Works.* Civil Works to be procured under this project would include comprehensive integrated works packages for area-wide upgrading for community roads and drains, footpaths, street lighting, community parks, community solid waste collection, and water supply. Trunk infrastructure essential for integrating unplanned settlements into the fabric of the city will also be included.

99. *Procurement of Goods and Non Consulting Services.* Goods to be procured under this project include select equipment for clearing snow off primary arterial roads and for maintaining rehabilitated secondary and community roads; select equipment for solid waste collection and transfer, for emptying septic tanks, for the suction of accumulated rain water, and for the sweeping of roads. Also included are GPS trackers on 667 of KM's vehicle fleet and control room equipment for monitoring usage and fuel consumption, in addition to vehicles for the use of the KMDP Team.

100. *Selection of Consultants.* The proposed grant would finance several consultancy assignments, both firms and individual consultants. *Firm contracts* that will be awarded are: a contract for the redesign of KM's Financial Management System; a contract for undertaking the household survey; and a contract for undertaking the drainage studies. *Individual consultants* to be financed by the grant include key managerial, technical, and fiduciary, individual consultants for KMDP; a municipal finance consultant to support the Deputy Mayor Finance and Administration of KM to oversee the firm that will provide services for the redesign of KM's FM system; a consultant to support KM's department of Sanitation and Roads to develop and implement in-house plans for improving the efficiency of the services delivered by these departments, and any other short term consultants that may be required for knowledge sharing or for services like translation, etc. *Hiring of managerial, technical, procurement, financial management and legal staff shall be prior reviewed by the Bank regardless of contract value.*

101. For consultant services estimated to cost less than US\$100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. The selection methods applicable for consultants are QCBS, QBS, CQS, LCS, FBS, and SSS for firms as per Section V of the Bank's Guidelines for Individuals. The threshold for CQS will be less than US\$200,000 equivalent per contract.

102. *Operating Costs.* Operating costs financed by the project would be procured using the implementing agency's administrative procedures, which are acceptable to the Bank. Operating costs will include operations and maintenance of equipment and vehicles, hiring of vehicles, office rent, costs of consumable, fuel, office utilities and supplies, Bank charges, advertising expenses, and consultant staff needed for project implementation, but exclude any salaries and allowances of civil servants.

103. *Assessment of Implementing Agency Capacity.* KM will have overall responsibility for all procurement under the project through the KMDP consultant Team established under KM during preparation. The KMDP Team has three procurement staff: (i) a national Procurement Specialist;, (ii) Procurement Assistant;, and (iii) Contract management officer. A capacity assessment of the KMDP's procurement capacity concluded that the procurement specialist has adequate procurement experience in civil works and Goods (ICB & NCB), while capacity in the procurement of consultancy firms needs strengthening through training by the Bank Kabul Office before grant effectiveness. KMDP will need to get accreditation from the Procurement Policy Unit (PPU) to handle procurement independently without going through ARDS. In accordance with the Presidential Decree to streamline procurement units of the ministry, the current PMU procurement staff will gradually be transferred to the KM Procurement Directorate, but will work solely for project. This will help to further develop capacity of the procurement directorate of KM. Based on the above, procurement risk under the KMDP is rated

105. *Procurement Risk Mitigation Monitoring Plan.* The KMDP Team will ensure that all invitations for bid, EOIs are given wide publicity using its own website, ARDS, United Nations Development Business (UNDB) and national newspapers. For individual consultants, the REOI/vacancy notice will be published on [www.ards.af](http://www.ards.af), [www.acbar.org](http://www.acbar.org), [www.devnetjobs.org](http://www.devnetjobs.org) and [www.reliefweb.int](http://www.reliefweb.int).

106. With regard to procurement complaints, KM/KMDP will be guided by Article 71-72 of Procurement Law-2008 and Bank Guidelines. KM/KMDP will inform IDA as soon as the procurement complaint is received and subsequently, the final outcome. KM/KMDP will install a system to register and monitor the receipt and resolution of complaints.

107. KMDP will prepare a Procurement Monitoring/Activity Schedule for Procurement of goods, works and Selection of consultants. The Monitoring/Activity Schedule shall be updated on a monthly basis. All bid/proposal evaluations will be completed within: (i) 7 working days in the case of shopping; (ii) 15 – 20 working days in the case of NCB/ICB; (iii) 10 working days for individual consultants; and (iv) 15 working days for firms for REOI evaluation, 21 working days for Technical Evaluation Report (TER) and 20 working days to conclude the contract negotiations.

108. *Governance and Anticorruption (GAC).* All the contract opportunities and contract awards will be widely published in the internet, ARDS website, and when required, in UNDB. The KMDP Team will set up a system to ensure that staff/consultants who handle the procurement process/contract management/contract execution do not join the consultants/contractors. Other actions include: (i) implementing agencies' officials / staff to be alerted about any fraud and corruption issues; (ii) bidders to be alerted against adopting fraudulent and corrupt practices; (iii) award contracts within the initial bid validity period, and closely monitor the timing; (iv) take action against any corrupt bidder in accordance with the law; (v) preserve all records and documents regarding public procurement, in accordance with the Procurement Law; (vi) publish contract award information in UNDB online, ARDS' website, and agencies' websites within two weeks of contract award; (vii) ensure timely payments to suppliers/contractors/ consultants and impose liquidated damages for delayed completion; and (viii) enforce a procurement filing system.



109. *Procurement Plan.* KM has developed a Procurement Plan (January 29, 2014) acceptable to the Bank for project implementation that provides the basis for the procurement methods. This plan is *available* at the KMDP's office, in the project's database and on the Bank's external website. The Procurement Plan will be updated, in agreement with the Bank annually or as required to reflect project implementation needs and improvements in institutional capacity.

110. *Procurement Arrangements for Component E.* Execution of Funds through the CERC will be procured based on *Guidance Note: Rapid Response to Crisis & Emergencies- Streamlined Procurement Procedures* June 2009 which is implemented under OP/ BP 10.0, *Rapid Response to Crisis and Emergencies*.

111. *Use of UN Agencies.* Single-source selection/direct contracting may be used in accordance with paragraphs 3.8 and 3.15 of the Consultant Guidelines (January 2011) and paragraphs 3.7 and 3.10 of the Procurement Guidelines (January 2011) for the appointment of UN agencies, where considered appropriate.

112. *Force Account:* In emergencies, when construction firms are unlikely to bid at reasonable prices because of the location of, and risks associated with, the project or a certain government agency has a sole right in certain type of work (e.g., railway track work, high tension transmission cables, etc.), Force Account may be used for repair/reconstruction using the borrower's own personnel and equipment or a government-owned construction unit in accordance with paragraph 3.9 of the Procurement Guidelines.

113. *Thresholds for Procurement categories and methods.* For each contract, the threshold for prior review requirements and post review contracts will be identified in the Procurement Plan. This prior review threshold will be updated annually based on the performance of the implementing agency. The Table below summarizes the thresholds for different procurement methods for each procurement category.

***Summary of Procurement Arrangements for KMDP***

<b><i>Category</i></b>	<b><i>Method of Procurement</i></b>	<b><i>Threshold (US\$ Equivalent)</i></b>
<i>Goods and Non-consultant services</i>	<i>ICB</i>	<i>&gt;200,000</i>
	<i>LIB</i>	<i>wherever agreed by Bank</i>
	<i>NCB</i>	<i>Up to 200,000 [with NCB conditions]</i>
	<i>Shopping</i>	<i>Up to 50,000</i>
	<i>DC</i>	<i>As per para 3.7 of Guidelines</i>
	<i>Force Account</i>	<i>As per para 3.9 of Guidelines</i>
	<i>Framework Agreements</i>	<i>As per para 3.6 of Guidelines</i>
	<i>Procurement from UN Agencies</i>	<i>As per para 3.10 of Guidelines</i>
	<i>Performance Based Procurement</i>	<i>As per para 3.16 of Guidelines</i>
<i>Works</i>	<i>ICB</i>	<i>&gt;5,000,000</i>
	<i>NCB</i>	<i>Up to 5,000,000 [with NCB conditions]</i>
	<i>Shopping</i>	<i>Up to 50,000</i>
	<i>DC</i>	<i>As per para 3.7 of Guidelines</i>
	<i>Force Account</i>	<i>As per para 3.9 of Guidelines</i>
<i>Consultants' Services</i>	<i>CQS/LCS</i>	<i>Up to 200,000</i>
	<i>SSS</i>	<i>As per para 3.9-3.11 of Guidelines</i>
	<i>Selection of NGOs</i>	<i>As per para 3.16 of Guidelines</i>
	<i>Individuals</i>	<i>As per Section V of Guidelines</i>
	<i>Selection of Particular Types of</i>	<i>As per para 3.15-3.21 of Guidelines</i>

<b>Category</b>	<b>Method of Procurement</b>	<b>Threshold (US\$ Equivalent)</b>
	<i>Consultants</i>	
	<i>QCBS/QBS/FBS</i>	<i>for all other cases</i>
	<i>(i) International shortlist</i>	<i>&gt;100,000</i>
	<i>(ii) Shortlist may comprise national consultants only</i>	<i>Up to 100,000</i>
<b>Category</b>	<b>Method of Procurement</b>	<b>Threshold (US\$ Equivalent)</b>
<i>Goods and Non-consultant services</i>	<i>ICB</i>	<i>&gt;1,000,000</i>
	<i>LIB</i>	<i>wherever agreed by Bank</i>
	<i>NCB</i>	<i>Up to 1,000,000 [with NCB conditions]</i>
	<i>Shopping</i>	<i>Up to 50,000</i>
	<i>DC</i>	<i>As per para 3.7 of Guidelines</i>
	<i>Force Account</i>	<i>As per para 3.9 of Guidelines</i>
	<i>Framework Agreements</i>	<i>As per para 3.6 of Guidelines</i>
	<i>Procurement from UN Agencies</i>	<i>As per para 3.10 of Guidelines</i>
	<i>Performance Based Procurement</i>	<i>As per para 3.16 of Guidelines</i>
<i>Works</i>	<i>ICB</i>	<i>&gt;40,000,000</i>
	<i>NCB</i>	<i>Up to 40,000,000 [with NCB conditions]</i>
	<i>Shopping</i>	<i>Up to 50,000</i>
	<i>DC</i>	<i>As per para 3.7 of Guidelines</i>
	<i>Force Account</i>	<i>As per para 3.9 of Guidelines</i>
<i>Consultants' Services</i>	<i>CQS/LCS</i>	<i>Up to 300,000</i>
	<i>SSS</i>	<i>As per para 3.9-3.11 of Guidelines</i>
	<i>Selection of NGOs</i>	<i>As per para 3.16 of Guidelines</i>
	<i>Individuals</i>	<i>As per Section V of Guidelines</i>
	<i>Selection of Particular Types of Consultants</i>	<i>As per para 3.15-3.21 of Guidelines</i>
	<i>QCBS/QBS/FBS</i>	<i>for all other cases</i>
	<i>(i) International shortlist</i> <i>(ii) Shortlist may comprise national consultants only</i>	<i>&gt;800,000</i> <i>Up to 800,000</i>

114. *Procedures for National Competitive Bidding.* The following criteria shall be followed in procurement under National Competitive Bidding (NCB) procedures:

- Standard bidding documents approved by the Administrator shall be used.
- Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty eight (28) days prior to the deadline for the submission of bids.
- Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.
- Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- Foreign bidders shall not be precluded from bidding.
- Qualification criteria (in case pre-qualifications were not carried out) shall be stated on the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any hindrance.
- Bidders may deliver bids, at their option, either in person or by courier service or by mail.

- All bidders shall provide bid security as indicated in the bidding documents. A bidder's bid security shall apply only to a specific bid.
- Bids shall be opened in public in one place preferably immediately, but no later than one hour, after the deadline for submission of bids.
- Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format, and within the specified period, agreed with the Administrator.
- Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Administrator.
- Split award or lottery in award of contracts shall not be carried out. When two (2) or more bidders quote the same price, an investigation shall be made to determine any evidence of collusion, following which: (A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Administrator.
- Contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances.
- Extension of bid validity shall not be allowed without the prior concurrence of the Administrator (A) for the first request for extension if it is longer than eight (8) weeks, and (B) for all subsequent requests for extensions irrespective of the period.
- Negotiations shall not be allowed with the lowest evaluated or any other bidders.
- Re-bidding shall not be carried out without the Administrator's prior concurrence.
- All contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.

#### *Environmental and Social (including safeguards)*

115. KM will be responsible ensuring all environmental and social safeguard issues are addressed in compliance with Bank policies. The Involuntary Resettlement (OP/BP 4.12) policy is triggered in case land acquisition is needed. OP 4.11 on Physical Cultural Resources is triggered as historical buildings may exist in the selected neighbourhoods. KM has prepared an Environmental and Social Management Framework (ESMF) to guide preparation of an Environmental and Social Management Plan (ESMP). The ESMF will include mitigation strategies for identified social impacts, including for physical cultural resources. The Resettlement Policy Framework (RPF) prepared by KM for KUTEI will apply to KMDP. The Grievance Redress System (GRS) established under KURP will handle grievances for KM. GCSs will be established and the formation of GCSs will be continued as established under KURP. Nodal Complaint Volunteers have been identified by GCS to inform community members on how to register their complaints. This mechanism has worked well under KURP, and will continue to under KMDP.

116. KM will carry out a screening of activities included in the CER Implementation Plan for any potential environmental and social impacts for activities undertaken in the event of an emergency. KM will prepare safeguards instruments required under the Environmental and Social Screening and Assessment Framework and submit them to the Bank for review and approval, and

thereafter adopt and disclosed them prior to commencing construction. This will be a condition for disbursement under an emergency situation.

### Procurement Plan

Work Procurement								
Component	Ref No/ Package No. .	Contract (Description)	Estimated Cost US\$	Procurement Method	Prequalification (Yes/No)	Domestic Preference (Yes/No)	Review by Bank (Prior/Post)	Expected Bid- Opening Date
A (i)	W-001-2 UNI	Upgrading Infrastructure of Kart-e-Now Gozar Lot 2 )district 8	855,050	NCB	No	No	Prior	22-Apr-13
A (i)	W-001-3 UNI	Upgrading Infrastructure of Kart-e-Now Gozar Lot 3 district 8	1,153,920	NCB	No	No	Prior	22-Apr-13
A (i)	W-3/T	Upgrading Infrastructure of Deh Murad Khan Trunk Road District 7	1,949,552	NCB	No	NO	Prior	22-Jun-13
A (i)	W-4/U	Upgrading Infrastructure of Now Abad-e-Qambar Gozar District 5	1,334,900	NCB	No	NO	Prior	22-Jun-13
A (i)	W-5/T	Upgrading Infrastructure of ShaBabo Trunk Road District 4	395,912	NCB	No	NO	Prior	6-Jul-13
A (i)	W-6/U	Upgrading Infrastructure of Lot 1 Afshar Silo Gozar District 5	1,040,792	NCB	No	NO	Prior	6-Jul-13
A (i)	W-7/U	Upgrading Infrastructure of Kart-e-Char Gozar District 5	1,895,600	NCB	No	NO	Prior	22-Jun-13
A (i)	W-8/T	Upgrading Infrastructure of Qala-e-Zaman Khan Trunk Road District 16	1,628,480	NCB	No	NO	Prior	3-Jul-13
A (i)	W-9/T	Upgrading Infrastructure of Tarakhil Trunk Road District 18	962,760	NCB	No	NO	Prior	22-Jun-13
A (i)	W-10/U	Aqeb-e-Zerahat (KM DP/W-10/ U) Dis 3	450,000	NCB	No	NO	Post	1-Feb-14
A (i)	W-11/U	Upgrading Infrastructure of Qismat B Khoshal Khan Gozar District 5	1,040,750	NCB	No	NO	Prior	3-Jul-13
A (i)	W-12/U	Upgrading Infrastructure of Afshar-e-Silo (Lot-2) Gozar Dis 5	846,300	NCB	No	NO	post	2-Nov-13
A (i)	W-13/U	Upgrading Infrastructure of Masjed-e-shikh Abudl Qader Gozar Dis.8	150,000	NCB	No	NO	post	4-Nov-13
A (i)	W-14/U	Upgrading Infrastructure of Hesa -e- Dowom Gozarga Gozar Dis.7	900,000	NCB	No	NO	post	1-Feb-14
A (i)	W-15/U	Upgrading Infrastructure of Qala-e-Khwaja Gozar,Dis.7	740,000	NCB	No	NO	post	1-Feb-14
A (i)	W-16/U	Upgrading Infrastructure of Timany Gozar ,Dis.4	1,255,500	NCB	No	NO	post	1-Feb-14
A (i)	W-17/U	Upgrading Infrastructure of kart-e-Ghawsudin Gozar ,Dis.7	760,000	NCB	No	NO	post	9-Mar-14
A (i)	W-18/U	Upgrading Infrastructure of Gozar-e-13 Dasht-e-Barchi Gozar ,Dis13	779,000	NCB	No	NO	post	9-Mar-14
A (i)	W-19/U	Upgrading Infrastructure of Gozar-e-Dowazda Dasht-e-Barchi Gozar,Dis 13	684,000	NCB	No	NO	post	10-Mar-14
A (i)	W-20/T	Upgrading Infrastructure of Road Trunk of Deh Dana ,Dis.7	627,200	NCB	No	NO	post	10-Mar-14
A (i)	W-21/U	Upgrading Infrastructure of Deh Murad Khan (Lot-1) Gozar ,Dis.7	630,000	NCB	No	NO	post	11-Mar-14
A (i)	W-22/U	Upgrading Infrastructure of Hesa-e-Aawal-e-Musahee (Lot-1) Gozar ,Dis.7	735,000	NCB	No	NO	post	11-Mar-14
A (i)	W-23/U	Upgrading Infrastructure of Qesmat-e-E Rahman Mina (Lot-1) Gozar ,Dis.8	1,131,000	NCB	No	NO	post	12-Mar-14
A (i)	W-24/U	Upgrading Infrastructure of Baraki Gozar,Dis.4	630,000	NCB	No	NO	post	12-Mar-14
A (i)	W-25/U	Upgrading Infrastructure of Kart-e-Parwan Gozar,Dis.	1,002,840	NCB	No	NO	post	1-Nov-14
A (i)	W-26/U	Upgrading Infrastructure of Ahamad Shah Mina (Block-e-Downm) (Lot-1) Gozar ,Dis 12	972,500	NCB	No	NO	post	1-Nov-14
A (i)	W-27/U	Upgrading Infrastructure of Masjed-e-Mulah Jan-e-Qandahri Gozar,Dis.13	800,000	NCB	No	NO	post	3-Nov-14
A (i)	W-28/U	Upgrading Infrastructure of Ahali-e-Masjed-e-Sharif-e-Zubair Gozar ,Dis.11	780,000	NCB	No	NO	post	3-Nov-14
A (i)	W-29/U	Upgrading Infrastructure of Qesmat-e-E Rahman Mina (Lot-2) Gozar ,Dis.8	1,560,000	NCB	No	NO	post	5-Nov-14
A (i)	W-30/U	Upgrading Infrastructure of Fazel Beg Lot-1 (on south side of main road)Gozar ,Dis 5	840,000	NCB	No	NO	post	5-Nov-14
A (i)	W-31/U	Upgrading Infrastructure of Gul Khana( Lot-1) Gozar ,Dis.6	800,000	NCB	No	NO	post	8-Nov-14
A (i)	W-32/U	Upgrading Infrastructure of Hesa-e-Dwom Share-Arah (Gerah Bafah) Gozar	420,000	NCB	No	NO	post	8-Nov-14
A (i)	W-33/U	Upgrading Infrastructure of House-e-Mahee Ha -e- Kart-e-Parwan Gozar,Dis.4	695,000	NCB	No	NO	post	10-Nov-14
A (i)	W-34/U	Upgrading Infrastructure of Jue-e-Sheer Gozar ,Dis.2	550,000	NCB	No	NO	post	10-Nov-14
A (i)	W-35/U	Upgrading Infrastructure of Danesh Station of Khuja Bughra Gozar ,Dis 15	777,000	NCB	No	NO	post	12-Nov-14
A (i)	W-36/U	Upgrading Infrastructure of Sank Kash ha Gozar ,Dis.1	420,000	NCB	No	NO	post	12-Nov-14
D (iv)	W-71/OB	Construction of Office Building for PMU	1,000,000	NCB	No	NO	post	1-Apr-14
		<b>TOTAL WORKS</b>	<b>33,193,056</b>					

II. Goods Procurement								
Component	Ref No/ Package No. .	Contract (Description)	Estimated Cost US\$	Procurement Method	Prequalification (Yes/No)	Domestic Preference (Yes/No)	Review by Bank (Prior/Post)	Expected Bid-Opening Date
		<b>Goods on Preparation Phase</b>						
D(i)	<b>G-1</b>	Vehicles	250,000	ICB	No	No	Prior	7-May-13
D(i)	<b>G-2</b>	Generator	15,000	Shopping	No	No	Post	1-Apr-13
D(i)	<b>G-3</b>	Total station	25,000	Shopping	No	No	Post	20-Feb-13
D(i)	<b>G-4</b>	Additional survey equipment	7,000	Shopping	No	No	Post	10-Apr-13
D(i)	<b>G-5</b>	Office Setup, Furniture & Equipment	40,000	Shopping	No	No	Post	11-Feb-13
D(i)	<b>G-6</b>	Software (GIS, Antivirus & Various other Software, etc)	10,000	Shopping	No	No	Post	20-Jan-13
D(i)	<b>G-7</b>	IT Equipment (Cameras, Video Cameras, External Hard disk, Scanners, Projector, etc)	12,000	Shopping	No	No	Post	23-Jan-13
D(i)	<b>G-8</b>	Plotter A0 & A1	6,000	Shopping	No	No	Post	15-Apr-13
D(i)	<b>G-9</b>	Accounting Software	30,000	Shopping	No	No	Post	15-Apr-13
D(i)	<b>G-10</b>	Laptop/desktop computers	39,000	Shopping	No	No	Post	20-Jan-13
D(i)	<b>G-11</b>	Printers	37,500	Shopping	No	No	Post	23-Jan-13
D(i)	<b>G-12</b>	Heavy-duty copiers	15,000	Shopping	No	No	Post	23-Jan-13
D(i)	<b>G-13</b>	Stabilizers and UPS	15,000	Shopping	No	No	Post	20-Jan-13
D(i)	<b>G-14</b>	Heating & Cooling Equipment	15,000	Shopping	No	No	Post	30-Apr-13
D(i)	<b>G-15</b>	Wiring /electric reinforcement of office	5,000	Shopping	No	No	Post	30-Apr-13
D(i)	<b>G-16</b>	Security Equipment (reinforcement of office building security)	5,000	Shopping	No	No	Post	30-Apr-13
		<b>Goods and Equipment for KMDP</b>						
A(ii)	<b>G-17</b>	Procurement of Heavy Duty Vehicles & Machinery for KM	4,985,000	ICB	No	NO	Prior	3-May-14
A(ii)	<b>G-18</b>	Procurement of Heavy Duty Vehicles & Machinery for KM	4,630,000	ICB	No	NO	Prior	4-May-14
A(ii)	<b>G-19</b>	Procurement of Heavy Duty Vehicles , Machinery and Equipment for KM	4,809,500	ICB	No	NO	Prior	5-May-14
A(ii)	<b>G-20</b>	Procurement of Heavy Duty Vehicles & Machinery for KM	4,445,000	ICB	No	NO	Prior	6-May-14
A(ii)	<b>G-21</b>	Supply Installation and comeesioning of GPSs For Vehicles at Sanitation and Streets & Maintenance Departments	750,000	ICB	No	No	Prior	15-May-14
A(ii)	<b>G-22</b>	Supply and installation of Equipment for Vedio Conference for Kabul Municipality	50,000	Shopping	No	No	Post	25-Feb-14
		<b>Good s For PMU</b>						
D (i)	<b>G-23</b>	Procurement of 2 Vehicles for KMDP	70,000	NCB	No	NO	Post	15-Apr-14
D (i)	<b>G-24</b>	Laptop/desktop computers with complete accessories ,Printers Copiers,Softwares etc	45,000	Shopping	No	NO	Post	1-Jan-15
D (i)	<b>G-25</b>	Total stations (3Set)	45,000	Shopping	No	NO	Post	1-Apr-14
D (i)	<b>G-26</b>	Office Setup, Furniture & Equipment	40,000	Shopping	No	No	Post	1-Apr-14
		<b>Total Goods</b>	<b>20,396,000</b>					

<b>Individual Consultants</b>								
<b>Component</b>	<b>Ref.No.</b>	<b>Description of Assignment</b>	<b>Estimated Cost</b>	<b>Procurement Method</b>	<b>Prequalification (Yes/No)</b>	<b>Domestic Preference (Yes/NO)</b>	<b>Review by Bank (Prior /Post)</b>	<b>Expected Contract Start Date</b>
B(ii)	S-IC-1	Int. Consultant (Municipal Finance Advisor)	480,000	IC	N/A	N/A	Prior	1-Apr-14
B(ii)	S-IC-2	National Consultant (Municipal Finance 3 position)	520,000	IC	N/A	N/A	Prior	1-Apr-14
A(ii)	S-IC-3	Int. Consultant (Operation Advisor for Sanitation Department)	360,000	IC	N/A	N/A	Prior	1-Apr-14
A(ii)	S-IC-4	National Consultants (Operation , for Sanitation Department 2 position)	216,000	IC	N/A	N/A	Prior	1-Apr-14
D (i)	S-IC-5	Program Director	504,000	SSS	N/A	N/A	Prior	1-Jan-13
D (i)	S-IC-6	Social and Environmental Specialist	336,000	SSS	N/A	N/A	Prior	1-Jan-13
D (i)	S-IC-7	Sr.Procurement Specialist	252,000	SSS	N/A	N/A	Prior	1-Jan-13
D (i)	S-IC-8	Sr.Procurement Officer	210,000	SSS	N/A	N/A	Prior	1-Jan-13
D (i)	S-IC-9	Sr.Procurement Assistant (2 position)	252,000	SSS	N/A	N/A	Prior	1-Jan-13
D (i)	S-IC-10	Contract Management Specialist	235,200	SSS	N/A	N/A	Prior	1-Jan-13
D (i)	S-IC-11	Sr.Finance specialist	252,000	SSS	N/A	N/A	Prior	1-Jan-13
D (i)	S-IC-12	Accountant (2 position)	302,400	SSS	N/A	N/A	Prior	1-Jan-13
D (i)	S-IC-13	Finance Officer	252,000	IC	N/A	N/A	Prior	1-Jan-13
D (i)	S-IC-14	Cashier	100,800	SSS	N/A	N/A	Prior	1-Jan-13
D (ii)	S-IC-15	Internal Auditor	216,000	IC	N/A	N/A	Prior	1-Jan-14
<b>Grand Total Consultant</b>			<b>4,488,400</b>					
<b>Notes:S= Service IC = Individual Consultants</b>								

<b>Firm Consultancy Assignments</b>								
<b>Component</b>	<b>Ref.No.</b>	<b>Description of Assignment</b>	<b>Estimated Cost</b>	<b>Procurement Method</b>	<b>Prequalification (Yes/No)</b>	<b>Domestic Preference (Yes/NO)</b>	<b>Review by Bank (Prior /Post)</b>	<b>Expected Proposals Submission Date</b>
C (i)	S-FC-001	Baseline Survey for Kabul City ,Household Survey (City-wide Geo-referenced data collection for monitoring service delivery)	800,000	QCBS			Prior	1-Jul-14
C(ii)	S-FC-002	Drainage studies	3,900,000	QCBS			Prior	1-Aug-14
B(ii)	S-FC-003	Redesign of KM Financial Management System	1,500,000	QCBS			Prior	1-Sep-14
<b>Total Consultancy Services</b>			<b>6,200,000</b>					
<b>Note:S=Service FC=Firm Consultancy</b>								

## **Annex 4: Implementation Support Plan**

### **Afghanistan: Kabul Municipal Development Program**

#### **Strategy and Approach for Implementation Support**

119. The implementation strategy for this project is designed to address two main risks: risk related to the **public sector stakeholders**; and the risk related to the **project design**.

120. The risk related to the public sector, derives largely from the stakeholders for the project: Kabul Municipality and its administration; and the Afghanistan Urban Water Supply and Sewerage Corporation (AUWSSC), without whose cooperation the delivery of water supply cannot be assured in the areas targeted for upgrading.

121. On the KM side, the stakeholders are the Mayor of Kabul, the Deputy Mayor Finance and Administration, staff of KM (particularly in the Departments of Sanitation and Roads), as well as the Heads and staff of KM's District offices. Most of these entities are beneficiaries of the project, and cooperation and facilitation of project activities from them are not perceived as a risk, based on experience over the last year of project preparation. The KMDP Team and IDA have participated quite regularly in the Mayor's monthly donor coordination meetings, and sustained a formal and informal dialogue with the Mayor, responding promptly to his concerns that were largely around the spatial targeting of investments under the project. Should there be a change in leadership and there be a new mayor over the next six years of implementation, the risk of the new Mayor not assuming ownership of the proposed work program could impede the pace of implementation as decisions made maybe re-visited. The strategy for addressing this risk, should it materialize, is to engage proactively with the new Mayor, with support from Bank management. To ensure sufficient support from high level civil servants and the Heads of Districts, the KMDP Team and Bank staff in the Country Office will sustain a dialogue with the Heads of Districts, keeping them informed about the activities and locations of the project. Large information sharing workshops of this nature will be held throughout implementation. KMDP will also develop a short newsletter on the project to keep Districts informed about project progress so that there is support for the project at lower levels in the administration

122. Civil society stakeholders are the Wakils, the Gozar Community Shuras (GCS), and the beneficiaries. These stakeholders have so far played, and will continue to play going forward, an important role. Given the well-entrenched community consultation and participation practices that are embedded at all stages of this project's design, and the strong relationships that the social team of KMDP cultivates with beneficiary groups, stakeholder risks from this group are considered negligible.

123. The second public sector entity whose role is important is the head and staff of the Kabul Strategic Business Unit of AUWSSC. Because such a large part of water related works are implemented by donors whose funds are provided off-budget, AUWSSC has very little control on predicting when water would be made available in different parts of the city, either due to needed repairs or expansion. The strategy to bring about better coordination between KMDP's planning for the integration of water supply in its Community Upgrading Plans, is for Bank Country Office staff to convene joint meetings with the KMDP Team and the Kabul AUWSSC leadership. Through such meetings, small interventions in the water distribution system that are

identified by AUWSSC can be communicated to KMDP, who will implement these on behalf of AUWSSC to specifications prepared by the utility. This kind of a partnership will make water available to more people in the KMDP's target areas, while at the same time contribute to expanding AUWSSC's customer base in Kabul.

124. At the **project level**, there are design risks posed by the inclusion of the Household (HH) Survey in a project which is largely an infrastructure project.

(i) The HH survey, though not a large budget item for the project, is strategically very important for KM – it would be the first time ever that a baseline on service delivery across all economic and social infrastructure sectors would be established. This kind of data collection requires a high level of technical skills in a team: economist, statistician, sectoral skills, etc. A team with skills of this nature is not available either in KM or in KMDP. To mitigate against the risk of a poor quality survey, IDA is assuming responsibility for the design of the survey as part of technical assistance to KM, and this support will continue when the survey is carried out and the data is analyzed.

125. Safeguard risks, including adherence to environmental and social policies, are assessed to be moderate. Staff in KMDP who implemented the now closed Kabul Urban Reconstruction Project (KURP) are well trained and experienced with the application of safeguard measures to sub-projects to be financed. Implementation of the ESMP, ESMF, ESIA (if any) and RAP (if any) will be closely supervised by KMDP and Design Review and Site Supervision engineers and Social staff, and communities will be trained to partner with KMDP throughout the project cycle. The Bank will periodically carry out field supervision and provide safeguard training and guidance to KMDP as needed. Adequate resources have been allotted for the preparation of ESMP/ESMF/RAP/ESIA and monitoring.

126. **Procurement:** The KMDP Team has demonstrated sufficient capacity to manage multiple contracts as evidenced by the contracts procured during preparation. Given the track record established, the Bank has increased procurement thresholds for the remainder of the project, and these will be monitored on a regular basis.

- The Bank will provide support to Kabul Municipality to establish a system for debarring contractors before the bid documents for works are purchased, as part capacity building support to improve the quality of procurement in Kabul Municipality.

### ***Implementation Support Plan***

127. The Bank does not have sufficient capacity in the Country Office to provide technical support and supervision of several elements of the project, e.g., for the study “Redesign of KM's FM System”, engineering aspects of works, or household survey. The Country Office has recruited a municipal engineer. Guidance for the FM study of KM will be provided by a senior Bank FM specialist staff from Washington.

<b>Primary Focus of Implementation Support</b>	<b>Skill Needs</b>	<b>Resource Estimate</b>	<b>Implementing Agency Role</b>
<b><i>First 18 months</i></b>			
Design of sub-projects - Year 2, Supervision of sub-projects -Year	Engineering	Engineer: 8 SW	Design, Supervision, Contract management,

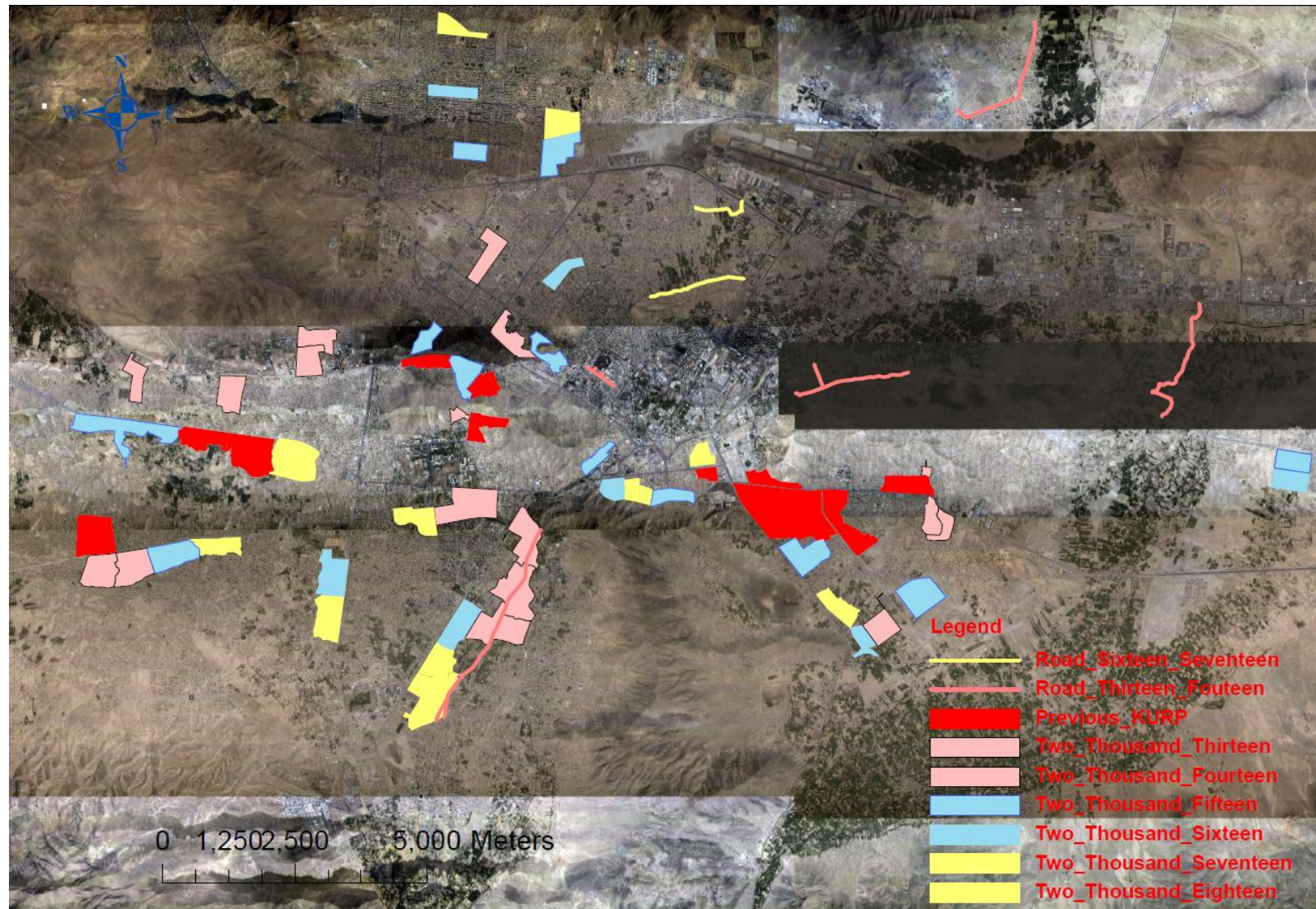


1.			Financial Management
Procurement of contractors for works, and contract management	Procurement, Engineering	Procurement: 3 SW Engineer: 4 SW	Procurement and Contract Management, Financial Management
Procurement of firm contract for HH Survey	Statistician / Economist, Procurement	Statistician Economists: 8SW 2 trips/year	Procurement, Liaison with Districts, CSO, Contract award and supervision
Procurement of Firm Contract for the Redesign of KM's FM System	Accounting, Municipal Finance, IT	Accounting: 6 SW; FM 6 SW 2 trips/year	Procurement, Contract award and supervision
Procurement of individual consultants for Solid Waste and Municipal Finance	Accounting, IT, Financial Management, Solid Waste (Environmental Engineering)	Accounting; 2SW, 1 trip Environmental Engineering: 4 SW 2 trips	Procurement, Contract award and supervision
Procurement of firm for Priority Drainage Basin Study	Engineering	Engineering: 4 SW	Procurement, Contract award and supervision
Monitoring and Reporting	Project Management, Social, Environment, FM, Procurement, Disbursement	CO staff	Monitoring and Reporting

## Annex 5: Project Maps

### Afghanistan: Kabul Municipal Development Program

Map 1: Location of Settlements selected for Upgrading under KMDP





**Map 2: Investments under KMDP and KUTEI**

