Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 14-Oct-2020 | Report No: PIDISDSA30605

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Afghanistan	P169970	Afghanistan Water, Sanitation, Hygiene and Institutional Support Project	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
SOUTH ASIA	23-Mar-2020	10-Dec-2020	Water
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Islamic Republic of Afghanistan	Afghanistan Urban Water Supply and Sewerage Corporation (AUWSSC)	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to improve access to and quality of water supply in selected cities and to strengthen the capacity of AUWSSC to deliver sustainable services in order to contribute to national efforts to manage COVID-19 and other disasters.

Components

COVID-19 Emergency Relief and Recovery
Sector Reform, Institutional Strengthening, and Capacity Building
Enabling Inclusive Access to Safe Water
Project Management and Monitoring
Contingent Emergency Response Component

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	200.00
Total Financing	200.00
of which IBRD/IDA	50.00
Financing Gap	0.00

DETAILS

World Bank Group Financing	
International Development Association (IDA)	50.00
IDA Grant	50.00
Non-World Bank Group Financing	
Trust Funds	150.00
Afghanistan Reconstruction Trust Fund	150.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. Afghanistan's political, social and economic situation was characterized by pronounced fragility even prior to the Coronavirus Disease (COVID-19) crisis in early 2020. Despite efforts to achieve peace, there is no clear path to a sustained and comprehensive end to the conflict in Afghanistan. The insurgency continues, and while a power-sharing agreement has been reached between the two major parties that contested the 2019 presidential elections, its implementation carries the risk of further disputes, instability and administrative disruption. The combined impact of insecurity, political instability and declining donor support have constrained the economy, while rapid population growth (2.9% per annum over the past decade) is putting pressure on existing resources and infrastructure. Per capita GDP has grown by less than two percent annually on average over the past decade, reaching only USD 502 in 2019. The trade deficit remains extremely large at over 30 percent of GDP, financed mostly by grant inflows. While government revenues reached a new high of 14.1 percent of GDP prior to the pandemic in 2019, more than half of budget expenditure remains financed by grants. Civilian aid is expected to decline as donors face fiscal constraints (in part from the need to focus on their domestic COVID-19 responses) and given dissatisfaction with the pace of anti-corruption and governance reforms.

2. The national poverty rate in Afghanistan has increased markedly from 38 percent in 2012 to 55 percent in the latest national survey in 2017. Even prior to the COVID-19 crisis, over 90 percent of the population lived on less than US$ 2 a day. Poverty in Afghanistan is characterized by high exposure and vulnerability to shocks, both from conflict (e.g. forced displacement, disrupted access to markets and basic services, price volatility of consumption staples) and climate (e.g. droughts, floods, avalanches and agricultural pests). Drought-induced displacement reached record levels of at least 300,000 people in 2018, adding to the millions already displaced by conflict. Afghanistan has a Human Capital Index in the bottom quartile globally. About 7 out of 100 children do not survive to age 5. Living standards are expected to decline

further as the shock of COVID-19 reverberates throughout Afghanistan. GDP is expected to contract by at least 5.5 percent in 2020.

3. COVID-19 is having a substantial negative impact on Afghanistan. As of September15, 2020, the Ministry of Public Health reported 38,815 confirmed cases in the country, with cases reported in all 34 provinces. Testing is limited and the true number of cases is likely much higher. The people of Afghanistan are extremely vulnerable to the virus as a result of the high percentage of poor households who lack the resources to protect themselves; constrained access to water and sanitation; the weaknesses of basic health systems; the ongoing violent conflict; and a relatively low level of awareness of how the disease is transmitted and how to safeguard against infection. COVID-19's economic impacts are already severe and expected to worsen. The pandemic and related containment measures, including border closures and the recent lockdown of major cities, has led to: (i) major disruptions to economic activity and consumption; (ii) disruptions to imports, including of vital household items, contributing to inflation; (iii) reduced exports due to disruptions at border points; (iv) reduced remittances; and (v) increased fiscal pressures, with government revenues expected to decline by at least 30 percent below budgeted levels. The water and sanitation sector has not escaped the negative effects of COVID-19, in particular, the Afghanistan Urban Water Supply and Sewerage Corporation (AUWSSC) has suffered a disruption of its operations and a significant decline in revenue, which further undermines its ability to provide vital water services to the population to help manage the impact of the pandemic.

4. Current political, security, economic and public health challenges are compounded by climate change. Afghanistan is particularly exposed to the effects of changing temperature and precipitation patterns that are likely to have significant impacts on its largely rain-fed agriculture, public health, drinking water security, ecosystems and biodiversity. Climate change is interacting with population growth to put additional pressure on key resources such as groundwater, which is depleting rapidly, particularly in population centers such as Kabul, Herat and Kandahar. The widespread poverty makes the population especially vulnerable to climate-change-related extreme weather events such as droughts, floods and heat waves. Interventions to provide basic services such as safe drinking water, as targeted under the proposed Project, are critical to adapt to and mitigate climate change risks and thus improve resilience.

Sectoral and Institutional Context

5. Improving access to water supply and sanitation (WSS) services is critical for the containment of COVID-19 as well as to improve long-term human development outcomes in Afghanistan. WHO guidance stresses that "frequent and correct hand hygiene" – which depends on access to water and soap – "is one of the most important measures to prevent infection with the COVID-19 virus". Beyond the immediate COVID-19 emergency, water and sanitation will always play a vital role in public health. In Afghanistan, inadequate water and hygiene access has contributed to abysmal health outcomes: The country has the fourth highest diarrheal mortality rate globally: approximately nine percent of all deaths among children under five years of age are due to diarrheal diseases. Afghanistan's early child mortality is in the bottom quintile globally and up to 41% of Afghan children are stunted. Stunting is a powerful risk factor that increases vulnerability to infectious disease mortality as well as long-lasting negative effects including a reduced capacity for manual work, poor mental development, and behavioral abnormalities. A growing literature shows how poor water, sanitation and hygiene (WASH) contributes to malnutrition by transmitting pathogens and infections that inhibit nutritional uptake through diarrhea, parasites, enteric inflammation and dysfunction (Cumming and Cairncross 2016).

6. The water sector is also essential to improving Afghanistan's capacity to withstand the socio-economic impacts of climate change. Without better protection of water resources, a more resilient water infrastructure and a greater capacity to operate and sustain it, weak services will continue to expose Afghanistan's population to the brunt of climate change impacts such as extreme temperature, floods and droughts. While Afghanistan is endowed with significant water resources, these are increasingly under stress and not leveraged effectively to create sustainable services for the

population. Between 1990 and 2017, total annual renewable water resources per capita have fallen from approximately 5,000 cubic meters per person to less than 2,000 cubic meters. The country's total actual renewable water resources were estimated at 65 billion cubic meters per year in 2014, of which about 85 percent is surface water. Approximately 98 percent of the annual water withdrawals of 20 billion cubic meters are used in agriculture. Climate change has resulted in declining and increasingly erratic precipitation, putting additional pressure on water resources already strained from population growth.

7. Access to safe water and sanitation services has been further constrained by insecurity, inadequate investments and weak sector institutions. Only 67 percent of Afghanistan's population has access to basic drinking water services and only 43 percent to basic sanitation services. The reality is even more challenging than these statistics suggest. While "basic access" refers to a technically protected source, such access does not necessarily mean that a regular supply of safe water free of contamination is made available. In fact, a recent survey in ten provinces of Afghanistan found that as many as 77 percent of households consumed water contaminated with E. coli. Water sources are also often at long distances from where the water is consumed – even in urban areas only 21 percent of the population has access to piped water on premises – and supply is typically intermittent. Afghanistan's water and sanitation services underperform relative to those in neighboring countries and the country is not on track to achieve the Sustainable Development Goal (SDG) of safe, universal access by 2030.

8. Poor water and sanitation services in the three largest cities of Afghanistan – Kabul, Kandahar and Herat – are a particular concern due to these cities' high share of the country's urban population (66 percent). The existing piped network operated by the AUWSSC covers less than 20 percent of the population across the three cities and operates only intermittently. At present, all three water systems are exclusively supplied from groundwater. The remainder of the population which is not connected to the piped network also relies predominantly on groundwater, tapping into the unconfined shallow aquifers with private wells. In all three cities, this is putting increasing pressure on groundwater aquifers. Moreover, water quality is a considerable concern as the shallow aquifers are subject to contamination from surface drainage and untreated wastewater. Wastewater collection is non-existent. Where they exist, onsite household facilities such as septic tanks and manual collection are used to collect and dispose sewage. Across Afghanistan, urban water networks are in a bad state of repair and system water losses ("non-revenue water") are high, around 50-60 percent in AUWSSC's estimate.

9. The institutional structure of the sector has undergone reform but remains weak and fragmented. The Water Law (2009) and National Water Sector Strategy (2012) sought to create a modern framework for the sector, espousing principles of Integrated Water Resources Management (IWRM) such as watershed protection, and a strong role for stakeholder participation and sustainability. However, the principles of IWRM have been slow to be implemented, sector institutions have not fully adapted to their intended roles and the sector structure remains fragmented:

- The Supreme Council of Water, Land and Environment (SCoWLE) is a governing body focused on water resources management;
- The National Water Affairs Regulatory Authority (NWARA) is the lead regulatory authority for water, responsible for the development and management of water resources, and the implementation of water sector reform, water resources infrastructure (dams, conveyance etc.), supply of water for different users (irrigation, domestic, industrial, and hydropower);
- AUWSSC is the national utility in charge of the management and operation of urban water supply and sewerage, and the implementation agency for the proposed project;
- The Ministry of Agriculture, Irrigation and Livestock (MAIL) is responsible for the development and management of irrigated agriculture;

- The Ministry of Urban Development and Land (MUDL) is responsible for policy and regulation of urban development, including water supply, sanitation and sewerage; in 2005, MUDL adopted the Urban Water Supply and Sewerage Sector Policy to guide the sector during the post-Taliban era, which is now being updated;
- The Ministry of Rural Rehabilitation and Development (MRRD) is responsible for rural WSS, small-scale irrigation (village level) and rural micro hydropower projects;
- The Ministry of Public Health (MPH) regulates and monitors quality of drinking water;
- The National Environmental Protection Agency (NEPA) regulates and monitors activities related to the environment, including water. NEPA is responsible for setting and ensuring compliance with environmental standards for planning, design, construction and commissioning of water supply and sewerage infrastructure;
- The National Hydrology Committee for Afghanistan (NHCA) provides advisory services, research activities and capacity building support to the water sector;
- Municipalities are responsible for city development plans which provide the strategic planning context within which individual (water) projects are implemented.

10. The large number of sector institutions with overlapping mandates presents a challenge, as does the lack of an independent regulatory authority. The revised Water Regulatory Law (2020) attempts to clarify sector responsibilities, confirming the SCoWLE as the highest leadership, policy and decision-making authority; and expanding and strengthening the role of the NWARA in developing water sector policy, strategy and legislation. Notably, the new law creates a water affairs regulatory department under NWARA.

11. AUWSSC's mandate is to ensure sustainable provision of safe drinking water supply and sewerage services to the urban population of Afghanistan. AUWSSC was established in 2007 and the World Bank provided the utility with significant support in its early years. In September 2010, AUWSSC was converted to a corporatized urban water and sewerage utility that operates in more than 43 cities across Afghanistan. AUWSSC has six Strategic Business Units (SBUs) which include: Kabul SBU, Kandahar SBU, Herat SBU, Mazar SBU, Jalalabad SBU, and Kunduz SBU. SBUs manage operations in multiple towns in their area of responsibility, with dedicated sub-SBUs (SSBUs) for major cities. Thus, for example, the Kandahar SBU (KnSBU) is responsible for two cities, including a dedicated SSBU for Kandahar which will be one of the focus areas of the project activities. AUWSSC operates as one company and individual SBUs are thus not financially autonomous, but instead transfer revenues to the center which in turn covers operating costs.

12. Over the past decade, AUWSSC has made gradual progress in increasing water production and piped connections in urban areas, though access remains low and is unequally distributed. As of today, AUWSSC is supplying approximately 200,000 households with piped water across its six SBUs. AUWSSC has extended its network length from 3,700 km to more than 4,300 km over the past four years, and improved its level of services, notably by raising average distribution time by two hours. With support from donors, AUWSSC has initiated new measures to improve its financial and operational management in 2019-20. This has included the development of an asset registry; a financial review, in particular of its billings and collections process; a study of a new tariff structure; and other measures. Beyond the investments proposed under this project, AUWSSC is also intensifying its long-term planning, for instance by developing wastewater masterplans for major cities.

13. Recent gains and efforts, however, remain at risk due to corporate governance concerns, weak technical capacity, cashflow constraints and shortfalls in capital investments. While recent audited financial accounts are not yet available, data shared by AUWSSC indicate that the utility's billed revenues covered total costs prior to the COVID-19 crisis (revenue to cost ratio of 1.05). The utility has nevertheless struggled to operate in a financially sustainable manner: Billings are constrained by up to 33,000 connections that remain non-metered, and more than half of the bills issued are not actually collected successfully, thus leading to cash flow shortages. Until collections improve to a point that AUWSSC can cover its operating costs, the utility will have to continue to rely on subsidies and external assistance, in particular for the significant infrastructure investments needed to maintain and improve services.

14. The COVID-19 crisis has aggravated AUWSSC's already precarious operational and financial position. By mid-2020, AUWSCC's revenues had halved relative to the same point in the prior year. Field operations have been complicated by lockdowns and more tenuous supply chains for key inputs such as treatment chemicals. In response, AUWSSC has developed COVID-19 Emergency Response and Recovery Plans (ERRPs) with the objective to ensure the continuity of services, minimize the impacts of the pandemic on staff, and build capacity to manage future crises.

C. Relevance to Higher Level Objectives

15. The proposed A-WASH project will support key aspects of the Afghanistan National Peace and Development Framework 2017-21. This national strategy aims to "increase investments in water management" and to provide basic development services, including "universal access to clean water" and "strengthening municipal capacity for revenue collection and service delivery". At the sector- and provincial levels, the proposed project reflects the priorities of the Urban Water Supply and Sanitation Sector Policy.

16. The proposed project has been designed in line with the World Bank Group COVID-19 Crisis Response Approach Paper. The Approach Paper recognizes water and sanitation services as "preventive and essential health services" and "emergency public goods" that are a critical part of the emergency health response. It proposes three stages of crisis response: Relief, Restructuring and Resilient Recovery. The proposed project will provide Relief by enabling implementation of the recently approved ERRPs; it will support Restructuring of the national utility, in particular by enhancing its operational and financial sustainability, tariff setting and human resource management; it will also improve Resilience to disasters by increasing access to sustainable water supply through major capital investments to improve access, address groundwater depletion and make services better and more sustainable.

17. The project is also aligned with the Bank's Afghanistan Country Partnership Framework (CPF) 2017-22. Notably, the project supports the CPF's Pillar 1 on Building Strong and Accountable Institutions, as well as Pillar 3 on Social Inclusion. Specifically, by financing and supporting reforms at AUWSSC, the project contributes to the CPF objective 1.1 Improved public financial management and fiscal self-reliance, CPF Objective 1.2 Improved performance of key government institutions and municipalities and CPF Objective 1.3: Improved service delivery through enhanced citizens' engagement with the state. Moreover, the project will support CPF Objective 3.1: Improved human development through the positive impacts safe drinking water supply is expected to have on child health and nutrition. Addressing inadequate access to basic services will alleviate constraints on human- and economic development and allow beneficiaries to undertake more productive activities. The project thus also supports the World Bank's twin goals of eliminating extreme poverty and promoting shared prosperity.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

18. The Project Development Objective (PDO) is to improve access to and quality of water supply in selected cities and to strengthen the capacity of AUWSSC to deliver sustainable services in order to contribute to national efforts to manage COVID-19 and other disasters.

Key Results

19. Key indicators to measure progress towards achievement of the PDO include:

- People provided with access to improved water sources (Number)
- Water distributed complies with WHO standards for biological and physical quality (Percentage)
- Improved Collection Efficiency of Kandahar, Herat and Kabul Strategic Business Units (Percentage)
- Increased metering coverage (Percentage)
  Strategic Business Continuity Plan for three major cities adopted by AUWSSC (Number)

D. Project Description

20. The A-WASH project aims to safeguard essential water services in Afghanistan's three largest cities (Kabul, Kandahar and Herat) during the COVID-19 pandemic, and to support a sustainable recovery by expanding access to safe water and improving AUWSSC's operational performance. The initial Relief phase of the project will focus on the implementation of the AUWSSC COVID-19 ERRPs, complemented by capacity building for AUWSSC and in particular the SBUs in the three cities to improve their operational and financial performance. In order to address the long-term structural challenges of lack of water supply and groundwater depletion, and to contribute to a sustainable recovery, the project will also undertake strategic capital investments with a focus on Kandahar. The activities financed by the project will safeguard basic water supply in Kabul, Herat and Kandahar, contribute to the containment of COVID-19 and bolster the country's resilience to future disease outbreaks and other disasters.

21. Kabul is Afghanistan's largest city and its capital. Its existing piped water supply relies exclusively on groundwater which is being abstracted at an unsustainable rate. At present, around 80 million cubic meters (MCM) of water are being extracted per year in Kabul which is nearly twice the sustainable recharge capacity. This has resulted in a rapidly depleting aquifer, risking future supply shortfalls. Kabul's piped network is relatively limited compared to the rapidly growing population, with less than 20 percent of households connected to the network. A number of donor countries, including Germany, France, India and the United States, are financing interventions to relieve the unsustainable pressure on Kabul's groundwater reserves by tapping into surface water sources and to extend network access. To complement these efforts, the focus of the proposed project in Kabul will be on implementation of the COVID-19 ERRP and on utility reform. The capital has been particularly badly affected by the pandemic with the highest case count nationally. This is likely due to its high population and the high degree of mobility in and out of the city, exacerbated by poor public hygiene and limited access to safe and reliable water supply.

22. Herat is Afghanistan's third-largest city with a comparatively well-developed water supply system. Originally built in the 1970s, and partially rehabilitated in 2008-9 with support from KfW, the system supplies over 60% of the population – the highest degree of access to piped water in any large city of the country. Herat's location close to the border with Iran made it an early hotspot of the COVID-19 pandemic. This was driven by Afghan migrant labor returning home in the wake of the severe outbreak in Iran. As the city's water infrastructure is comparatively developed, and the pandemic particularly severe, the focus of the proposed project in Herat will also be on the implementation of the COVID-19 ERRP relief activities and capacity building, to ensure existing services are safeguarded and extended if needed for the COVID-19 response.

23. Kandahar is Afghanistan's second-largest metropolitan area with an officially estimated population of approximately one million people, although unofficial estimates range as high as 1.5 million. Kandahar is in a highly drought-prone part of the country. The city's current domestic water supply is limited and entirely dependent on groundwater which is declining due to excess extraction. The city's historic water infrastructure has deteriorated while demand has increased rapidly. The existing water network covers fewer than 8,000 households, while most of the population obtains water from private wells drawing from a shallow, unconfined aquifer which is depleting and contaminated due to the absence of a sewerage system, as several studies have shown. The existing piped network was constructed in the early 1970s and has seen only limited rehabilitation and extension since then. The network supply is not being treated as chlorination systems are no longer in working order. The quality of water is reportedly poor, and supply is intermittent. The wells that remain functional supply approximately 5,000 cubic meters per day to AUWSSC network, less than 10 percent of the water needed to ensure that the population's most basic needs are met.

24. To address the challenge of groundwater depletion and contamination, and to ensure sufficient provision of safe water to Kandahar, accessing treated surface water is a sustainable and safe solution. The proposed source is the existing Dahla Dam reservoir on the Arghandab river located 30 km north of Kandahar. The reservoir has a capacity of

approximately 300 MCM, which is assessed to be sufficient to supply the volume of water needed for the project (approximately 54.75 mcm/year, equivalent to 4 percent of the average annual inflow to the reservoir, i.e. 1,380 mcm/year). The use of groundwater and water trucking will be gradually reduced, with Kandahar relying on conjunctive use of ground- and surface water (Dahla Dam and existing groundwater wells) until the full operation of the new water treatment plant (WTP). The transition to surface water will require a proactive outreach to communities to communicate the advantages of piped water supply and defuse possible resistance from existing water vendors, enabling their transition to new livelihood opportunities. While Kandahar will also benefit from activities under the local COVID-19 ERRP, a particular focus will be on strategic capital investments in the city to address its structural supply gap and extremely limited distribution system.

25. **The A-WASH project will consist of five components:** Component 1 will support implementation of AUWSSC's COVID-19 emergency relief measures in the three largest cities of Afghanistan - Kabul, Kandahar and Herat; Component 2 will finance measures to restructure, reform and improve the urban water utility's operational and financial performance; Component 3 will fund technically robust, more sustainable infrastructure, including measures to build resilience to climate change, with a strategic focus on Kandahar. Component 4 will support project management and monitoring; and Component 5 is a Contingent Emergency Response Component. A summary of activities to be financed under each component is provided below. The components are designed to maximize climate change adaptation and mitigation measures as detailed below.

26. *Component 1 – COVID-19 Emergency Relief and Recovery:* The project will support the national urban water utility AUWSSC to maintain vital water supply services in Afghanistan's three largest cities despite significant COVID-19 related revenue shortfalls (approximately 50 percent year-on-year decrease,) and disruptions to its field operations caused by the pandemic. Water supply and hygiene services are an essential part of preventing transmission and protecting human health during infectious disease outbreaks, including the current COVID-19 pandemic. Protecting staff and assets and safeguarding AUWSSC's existing operations is thus of critical importance. This will be achieved by financing several short-term interventions in the selected Strategic Business Units, including:

a. Financing of critical operational inputs such as treatment chemicals and fuel which are at risk of depletion due to revenue declines and supply chain disruptions;
b. Provision of personal protective equipment for staff, support to IT/remote work and other measures to make utility offices and client-facing services safe during the ongoing pandemic;
c. Rehabilitation and replacement of priority water supply facilities, including water wells, pipes and pumps, water tanks, power generators and chlorine dosing equipment to maintain services during the pandemic;
d. Provision of rapid emergency water connections for high-risk areas and key health facilities, as well as support to secure high priority water services by trucks where piped water is not feasible;
e. Technical assistance to strengthen the capacity of AUWSSC staff to implement emergency response plans and thus address future disasters more effectively; and
f. Support a rapid review of AUWSSC's financial management and reporting practices followed by a preparation of formal, audited financial statements for 2014-19, a key step towards improving the utility's financial data.

27. **Component 2 - Sector Reform, Institutional Strengthening, and Capacity Building**: This component aims to strengthen the capacity of AUWSSC and its SBUs to deliver safe drinking water to the population in a technically, financially and socially sustainable manner. The institutional strengthening activities will, where appropriate, seek to promote and enhance private sector participation for efficient and sustainable service delivery. The technical assistance will provide general planning and institution-building support to improve AUWSSC's operational performance in line with the PDO. In particular:

(a) Sub-Component 2.1 - Sector Reform and Strategic Planning: This sub-component will support AUWSSC to

accelerate the development and implementation of sector reforms, including the preparation of a sector strategy.

(b) Sub-Component 2.2 - Improve Financial and Technical Performance of AUWSSC: This will consist of consultancy services for designing a systematic approach to improving the operational and managerial performance of AUWSSC including its financial management and reporting practices. It will include support to optimize tariff setting, improve billing and collections, as well as the design and roll-out of systems and training to improve asset management and maintenance. The latter will include an analysis of AUWSSC's current and anticipated energy use and energy efficiency measures. AUWSSC will also receive assistance to better manage non-revenue water in the existing and new distribution system, through metered connection, zoning and district metering and leak detection. The project will help institute modern approaches to human resource management as well as financial reporting and auditing that meets international standards.

(c) Sub-Component 2.3 - Improve Social Accountability of AUWSSC: The project will finance measures to strengthen AUWSSC's communications, social accountability, citizen engagement, women's participation and customer responsiveness in Kabul, Kandahar and Herat.

(d) Sub-Component 2.4 - Preparation of feasibility studies for the second project: This sub-component will finance preparation of feasibility studies and the environmental and social studies for the second project in the proposed SoP, that is, identify priority water supply and sewerage infrastructure, and measures for citywide inclusive sanitation and institutional investments. This sub-component will finance development of a water balance and monitoring of the use of water over the duration of the project taking into account the impact of climate change. It will also finance support to strengthen resilience planning and standards to facilitate future designs of climate-adaptive facilities.

28. **Component 3 - Enabling Inclusive Access to Safe Water**: This component will finance the implementation of the water supply infrastructure required to improve access to and quality of water supply in Kandahar while improving sustainability and climate resilience by reducing pressure on depleting aquifers. It will include the following sub-components:

(a) Sub-Component 3.1 – Bulk Transmission Pipeline and Water Treatment Plant: This sub-component will finance the construction of Phase 1 of the WTP with a capacity of 125,000 cubic meters per day with associated booster station and service tanks. The project will also finance the construction of the bulk water transmission pipeline of approximately 30 kilometers length to convey water from the Dahla Dam to the new WTP.

(b) Sub-Component 3.2 – Water Supply System in Kandahar: The project will finance the rehabilitation and expansion of the piped water network in urban Kandahar, providing up to 80,000 new connections (Residential, Institutional, Commercial and Industrial)) and up to 1,000 standpipes.

29. An international consultancy firm has been hired to develop detailed designs and the environmental and social impact studies based on an existing feasibility study. The initial focus of the project will be the rehabilitation of existing water system (pipes, pumps, wells) included under component 1, followed by the construction of new conveyance, treatment and distribution infrastructure.

30. This component will also provide for the supervision service for the construction alongside the preparation and implementation of environmental and social impact assessments.

31. **Component 4 – Project Management and Monitoring**: This component will support the Project Coordination Team (PCT) hosted within AUWSSC headquarters and the Project Implementation Units (PIU) in the Kabul, Kandahar and Herat SBUs that will coordinate, implement, monitor and report on the project. The project will also enhance the career prospects of female staff by supporting their training, by improving facilities and by direct outreach to local universities to identify female engineers and a paid internship program to facilitate their entry into the utility (see

Component 2).

32. The component will also finance the operating budget for the project preparation before the date of signing the Financing Agreement. The retroactive amount would be pre-financed by AUWSSC. Once the project is declared effective, eligible expenditures approved by the World Bank will be reimbursed to AUWSSC out of the Grant proceeds.

33. **Component 5 - Contingent Emergency Response Component (CERC) (USD 0.0 million):** This component will improve the GoIRA's ability to respond effectively in the event of an emergency in line with World Bank procedures on disaster prevention and preparedness. Following an eligible crisis or emergency, the Recipient may request the Bank to re-allocate project funds to support emergency response and reconstruction. This component would draw from other project components to cover emergency response.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

34. **Projects on International Waterways (OP 7.50).** OP 7.50 is applicable to the proposed project. The Bank, on behalf of the Government of Afghanistan, notified Iran on March 16, 2020, about the proposed intervention's use of water resources of the Dahla Dam reservoir fed by the Arghandab River, requesting any comments by April 20, 2020. As of October 1, 2020, no response has been received from Iran and the notification process has been completed. Also, an exception to the notification requirement under paragraphs 7(a) and 7(b) of the Policy has been confirmed and approved for other project activities to which OP 7.50 applies (for feasibility studies, and emergency relief activities) on October 4, 2020.

35. **The overall environmental impact of the project investments will be largely positive, providing improvements in health and sanitary conditions as well as protecting groundwater from over-exploitation.** Adverse environmental impacts associated with the project activities are mainly construction related and are substantial in nature and will require assessment and implementation of mitigation measures to address any residual impacts.

36. The following standards apply to the project: Assessment and Management of Environmental and Social Risk and Impacts (ESS1), Labor and Working Conditions (ESS2), Resource Efficiency and Pollution Prevention and Management (ESS3), Community Health and Safety (ESS4), Land Acquisition, Restrictions and Land Use and Involuntary Resettlement (ESS5), Biodiversity Conservation and sustainable of Living Natural Resources (ESS6) Cultural Heritage (ESS8) and Stakeholders Management and Information disclosure (ESS10). The details of all ten Standards are summarized in the appraisal ESRS.

37. The key environmental and social risks in a COVID-19 setting have direct relation with the scope of the project operations. The project will adhere to the WHO guidelines in order to minimize and mitigate the risks associated with COVID-19 especially potential to spread amongst project workers. In addition, the Interim Guidance Note on Covid-19 that was issued by the World Bank disclosed on April 07, 2020, will provide additional

guidance associated with minimizing COVID-19 risks specifically during the construction phase . This will provide guidance to borrower on how to support addressing key issues associated with COVID-19 and consolidates the advice that has already been provided in April 2020.

38. **AUWSSC has prepared an Environmental and Social Management Framework (ESMF) materially consistent with the aforementioned environmental and social standards.** The ESMF provides guidance for further E&S studies including an Environmental and Social Impact Assessment (ESIA) of each component and other due diligence when the specific locations of activities are identified during project implementation. It also provides a generic assessment of any foreseeable negative environmental and social risks and impacts and proposes a set of mitigation measures and check lists for the risks related to the project operations.

39. **The proposed project is expected to have beneficial social impacts.** The expected long-term and cumulative social impacts of the proposed activities are mostly positive and include improved water infrastructure as well as improved health and livelihoods. The World Bank financed interventions, including the transmission, water treatment, distribution network, rehabilitation and replacement of priority water supply facilities, including water wells, pipes and pumps will have some social risks and impacts which are expected to be less severe and mostly temporary, predictable and reversible. Works associated with the construction and upgrading of the water network may cause land acquisition and resettlement impacts. The project will also have to balance concerns about the financial sustainability of the utility with affordability of services to the poor. The limited capacity of the implementing agency to handle social issues is a major concern that contributes to the substantial social risk rating.

40. The specific routing and designs of the water supply networks in urban Kandahar, Kabul and Herat are not yet known. In addition to the ESMF, the client has prepared a Resettlement Framework (RF) in compliance with ESS5, a standalone Stakeholder Engagement Plan (SEP), a capacity building plan and Labor Management Procedures (LMP) to address environmental and social due diligence of all project components. A “chance find” procedure is included as part of the ESMF. As additional details are identified, the ESMF will guide the screening of sub-projects and relevant due diligence, including the preparation of ESIAs and associated Environmental and Social Management Plans (ESMPs). The Borrower has prepared an Environmental and Social Commitment Plan (ESCP) to specify the material measures and actions required for the project to meet the ESSs over the project timeframe. The draft ESMF was disclosed on AUWSSC external website on January 29, 2020.

E. Implementation

Institutional and Implementation Arrangements

41. Overall management responsibility for the A-WASH project will rest with the AUWSSC. The project will be implemented by dedicated Project Implementation Units (PIUs) based in Kabul, Kandahar and Herat under AUWSSC’s SBUs. The PIUs will receive guidance and support from a Project Coordination Team (PCT) within AUWSSC headquarters. To build long-term capacity, PIU and PCT members will be drawn primarily from existing AUWSSC staff. The PIU and PCT may also engage consultants with expertise in the implementation of Bank-financed projects as needed. Municipal authorities and other stakeholders will participate during the implementation of relevant project activities. This organizational structure aims to ensure sufficient implementation capacity for the project.

42. The GoIRA will create a Project Coordination Committee (PCC) before project effectiveness to coordinate with other stakeholders such as those involved in the USAID and ADB-financed investments. The PCC will be responsible for

overall project coordination, review of progress reporting and coordination with other stakeholders. The PCC will be chaired by the MoF in accordance with the memorandum of agreement between GOIRA, ADB and the World Bank signed on November 8, 2018, to collaborate in the achievement of the projects' objectives. The PCC will nominate representatives of relevant government agencies at managerial and technical level (including AUWSSC, NWARA, Municipalities, MAIL, and the MRRD, etc.). A representative of the donors will provide technical support and advice.

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