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Report No: PAD5197

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

FROM THE AFGHANISTAN RECONSTRUCTION TRUST FUND GRANT

IN THE AMOUNT OF US\$61 MILLION

TO THE AGA KHAN FOUNDATION USA (AKF-USA)

AND

IN THE AMOUNT OF US\$39 MILLION

FOR THE UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

FOR THE

WATER EMERGENCY RELIEF PROJECT

June 28, 2023

Water Global Practice
South Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective {May 31, 2023})

Currency Unit = US\$1

AFN 87.20 = US\$1

FISCAL YEAR

December 21 - December 20

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ABBREVIATIONS AND ACRONYMS

ACG	Anti-Corruption Guidelines
AFN	Afghanistan Afghani (Afghanistan currency)
ADB	Asian Development Bank
AKDN	Aga Khan Development Network
AKF	Aga Khan Foundation
AKF-AFG	Aga Khan Foundation Afghanistan
AKF-USA	Aga Khan Foundation USA
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
APA	Alternative Procurement Arrangements
ARTF	Afghanistan Reconstruction Trust Fund
AWD	Acute Watery Diarrhea
CAPEX	Capital Expense
CCAP	Citizens' Charter Afghanistan Project
CDC	Community Development Council
CFT	Countering Financing of Terrorism
CHW	Community Health Worker
CPF	Country Partnership Framework
CRLP	Community Resilience and Livelihoods Project
E&S	Environmental and Social
EaaS	Energy-as-a-Service
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESS	Environmental and Social Standards
ECA	Entry Criteria for Access
EU	European Union
ERR	Economic Rates of Return
FCV	Fragile, Conflict, and Violence
FM	Financial Management
FMFA	Financial Management Framework Agreement
FY	Fiscal year
GRM	Grievance Redress Mechanism
GRMS	Global Resource Management System
HER	Health Emergency Response
ICR	Implementation Completion Report
i/NGO	International and National Non-governmental Organization
IsDB	Islamic Development Bank
IPM	Integrated Pest Management
IPF	Investment Project Financing
IRR	Internal rate of return
ITA	Interim Taliban Administration
IWRM	Integrated Water Resources Management
JMP	Joint Monitoring Program

LMP	Labor Management Procedures
MA	Monitoring Agent
M&E	Monitoring and Evaluation
MEW	Ministry of Energy and Water
MHPs	Micro-hydro Projects
MIS	Management Information System
MRRD	Ministry of Rural Rehabilitation and Development
NPV	Net Present Value
NSP	National Solidarity Program
OCCD	Organization for Community Coordination and Development
OCHR	Organization for Coordination of Humanitarian Relief
OFAC	Office of Foreign Assets Control
ORCD	Organization for Research and Community Development
PAD	Project Appraisal Document
PDO	Project Development Objective
PESC	Private Energy Service Company
PHCs	Primary Health Centers
PIU	Project Implementation Unit
PIE	Project Implementing Entity
POM	Project Operations Manual
RE	Renewable Energy
SEA/SH	Sexual Exploitation, Abuse, and Sexual Harassment
SEP	Stakeholder Engagement Plan
UN	United Nations
UNAMA	United Nations Assistance Mission in Afghanistan
UNHMRIAR	UN Harmonized Monitoring and Reporting Indicators for Afghanistan Response
UNICEF	United Nations Children's Fund
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
UNOPS	United Nations Office for Project Services
UNSC	United Nations Security Council
UNSCR	UNSC Resolution
UWASS	Urban Water Supply and Sewage
WASH	Water, Sanitation and Hygiene
WB	World Bank
WBG	World Bank Group
WERP	Water Emergency Relief Project
WHO	World Health Organization
WFP	World Food Program

TABLE OF CONTENTS

DATASHEET	Error! Bookmark not defined.
I. STRATEGIC CONTEXT	7
A. Country Context.....	7
B. Sectoral and Institutional Context	7
C. Relevance to Higher Level Objectives.....	10
II. PROJECT DESCRIPTION.....	12
A. Project Development Objective	12
B. Project Components	12
C. Project Beneficiaries	14
D. Results Chain	15
E. Rationale for Bank Involvement and Role of Partners	15
F. Lessons Learned and Reflected in the Project Design	16
III. IMPLEMENTATION ARRANGEMENTS	16
A. Institutional and Implementation Arrangements	16
B. Results Monitoring and Evaluation Arrangements.....	19
C. Sustainability.....	19
IV. PROJECT APPRAISAL SUMMARY	20
A. Technical, Economic, and Financial Analysis	20
B. Fiduciary.....	22
C. Legal Operational Policies.....	24
D. Environmental and Social.....	25
V. GRIEVANCE REDRESS SERVICES	27
VI. KEY RISKS	28
VII. RESULTS FRAMEWORK AND MONITORING	31
ANNEX: Afghanistan Water Emergency Relief Project.....	38

DATASHEET

BASIC INFORMATION

Country(ies)	Project Name		
Afghanistan	Water Emergency Relief Project		
Project ID	Financing Instrument	Environmental and Social Risk Classification	Process
P179311	Investment Project Financing	Substantial	Urgent Need or Capacity Constraints (FCC)

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made Disaster
<input checked="" type="checkbox"/> Alternate Procurement Arrangements (APA)	<input checked="" type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
28-Jun-2023	30-Jun-2025
Bank/IFC Collaboration	Joint Level
Yes	Complementary or Interdependent project requiring active coordination

Proposed Development Objective(s)

Improve access to safe drinking water and irrigation water services in selected rural areas

**Components**

Component Name	Cost (US\$, millions)
Component 1: Provision of emergency water supply in identified rural areas	52.00
Component 2: Improved surface water irrigation using solar technologies in selected rural areas	35.00
Component 3: Technical training and public awareness campaigns	3.00
Component 4: Implementation support	10.00

Organizations

Borrower:	Aga Khan Foundation USA The United Nations Office for Project Services
Implementing Agency:	Aga Khan Foundation USA The United Nations Office for Project Services

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	106.25
Total Financing	100.00
of which IBRD/IDA	0.00
Financing Gap	6.25

DETAILS**Non-World Bank Group Financing**

Trust Funds	100.00
Afghanistan Reconstruction Trust Fund	100.00

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2023	2024	2025
Annual	0.00	61.00	39.00



Cumulative	0.00	61.00	100.00
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INSTITUTIONAL DATA

Practice Area (Lead)

Water

Contributing Practice Areas

Energy & Extractives, Health, Nutrition & Population, Urban, Resilience and Land

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Substantial
9. Other	● Substantial
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☒ Yes ☐ No



Have these been approved by Bank management?

☒ Yes ☐ No

Is approval for any policy waiver sought from the Board?

☐ Yes ☒ No

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

The Recipient shall establish, not later than two months after the Effective Date, and thereafter maintain throughout the implementation period of the Project, the Project Implementation Unit. Section I.A.2 of Schedule 2 to the Grant Agreement between the Bank and UNOPS.



Sections and Description

The Recipient shall, not later than thirty (30) days after the Effective Date and thereafter, on July 31st of each year during the implementation of the Project, or such later date as the Bank may agree in writing, prepare and furnish to the Bank for its approval, the Work Plan and Budget. Section I.D.1 of Schedule 2 to the Grant Agreement between the Bank and UNOPS.

Sections and Description

The Recipient shall, not later than two months from the Effective Date, establish and thereafter maintain within the premises of AKF-AFG, until the completion of the Project, the Project Implementation Unit ("PIU"). Section I.A.1 of the Schedule 2 to the Grant Agreement between the Bank and AKF-USA

Sections and Description

The Recipient shall, (a) no later than six months after the Effective Date, prepare and thereafter maintain, throughout the implementation of the Project, an operational manual for the Project, in form and with substance acceptable to the Bank ("Project Operations Manual"); and (b) carry out the Project in accordance with the Project Operations Manual. Section I.C.1 of Schedule 2 to the Grant Agreement between the Bank and AKF-USA.

Sections and Description

The Recipient shall, (a) no later than eight months after the Effective Date, prepare and thereafter maintain, throughout the implementation of the Project, an operational manual for the Project, in form and with substance acceptable to the Bank ("Project Operations Manual"); and (b) carry out the Project in accordance with the Project Operations Manual. Section I.C.1 of Schedule 2 to the Grant Agreement between the Bank and UNOPS.

Sections and Description

The Recipient shall, not later than thirty (30) days after the Effective Date, and thereafter annually, on July 31st of each year during the implementation of the Project, or such later date as the Bank may agree in writing, prepare and furnish to the Bank for its approval, the Work Plan and Budget. Section I.D.1 of Schedule 2 to the Grant Agreement between the Bank and AKF-USA.

Conditions

Type	Financing source	Description
Disbursement	Trust Funds	<p>Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:</p> <ul style="list-style-type: none">(a) for payments made prior to the Signature Date;(b) for any payment for Taxes levied by or in the territory of the Member Country; or(c) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the Bank's knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the



		United Nations. Section IV.B.1 of Schedule 2 to the Grant Agreement between the Bank and UNOPS.
Type Disbursement	Financing source Trust Funds	<p>Description</p> <p>Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:</p> <p>(a) for payments made prior to the Signature Date; or</p> <p>(b) for payments to a Project Implementing Entity under Categories (1) through (3), until such entity: (i) has been satisfactorily assessed by the Bank for its technical and fiduciary capacity; and (ii) has signed a Subsidiary Agreement with the Recipient for the implementation of its Respective Part of the Project, in form and substance and under terms and conditions acceptable to the Bank. Section III.B.1 of Schedule 2 to the Grant Agreement between the Bank and AKF-USA.</p>

I. STRATEGIC CONTEXT

A. Country Context

1. **In response to the crisis in Afghanistan, the World Bank (WB), Afghanistan Reconstruction Trust Fund (ARTF) donors, and international partners have found pragmatic ways to provide support for essential basic services to the Afghan people.** On November 30, 2021, the Executive Directors of WB (WB Board) supported Approach Paper 1.0 for an immediate Transfer Out of US\$280 million of uncommitted ARTF funds to World Food Programme (WFP) and United Nations Children's Fund (UNICEF) for humanitarian gap financing, following a decision by ARTF donors. On March 1, 2022, responding to requests from the international community, the Board approved Approach Paper 2.0 ("Approach 2.0"), which aims to protect the vulnerable, help preserve human capital and key economic and social institutions, reduce the need for future humanitarian assistance, and improve gender equality outcomes. This includes financing, analytical work, and coordination/convening opportunities. A key element of this support is Recipient Executed grants, decided by the ARTF and made off budget and outside of the involvement of the Interim Taliban administration (ITA), to United Nations (UN) agencies and international non-governmental organizations (NGOs). Approach 2.0 was designed to respond flexibly, based on experiences of early implementation, and informed by strong coordination among development partners.
2. **While Approach 1.0 was merely a transfer out, Approach 2.0 builds the WB's strategic engagement across the humanitarian-development continuum and prioritizes partnerships with other funding sources in support of the Afghan people,** including from multilateral institutions like the Asian Development Bank (ADB), European Union (EU), and Islamic Development Bank (IsDB), and the Special Trust Fund for Afghanistan (STFA), bilateral partners, and international NGOs.
3. **The Bank and ARTF have taken a programmatic approach of engaging in priority basic services.** To date this includes agriculture, livelihoods, health, education, and NGO capacity building. To ensure the principles of equitable access for women, and to ensure women participation in project activities, Entry Criteria for Access (ECA) have been included for each project financed by ARTF.¹ Together, these five activities were designed to respond rapidly to the situation in Afghanistan and help reduce the need for future humanitarian assistance.
4. **Afghanistan's development gains from the past twenty years are now at high risk, with Afghanistan facing a major economic crisis.** The August 15, 2021, political crisis resulted in the cessation of most international aid and all international security assistance. This has led to major disruption to core services and a massive contraction in aggregate demand across the economy. The crisis is having impacts on firms and households. Poverty was already high at 47 percent in 2019-2020. Recent data shows that in 2023, about two-thirds of Afghan households could not afford food and other basic non-food items, forcing many adults to engage in low-productivity activities to generate income. Currently, an estimated 20 million people, 46 percent of the total population are acutely food-insecure, while more than 6 million Afghans are on the brink of starvation.² The UN estimates that more than 28 million Afghans require humanitarian assistance. Living conditions during the recent harsh winter months appear to have worsened partly because of significant electricity shortages in cities.³

B. Sectoral and Institutional Context

5. **Water is critical to Afghanistan's economic recovery and an essential public health service; the lack of**

¹ Entry Criteria for Access provides a platform around which ARTF donors, implementing agencies and the World Bank can assess whether the situation on the ground continues to provide the required conditions under which activities can be implemented.

² UNOCHA (2023) World Food Programme Afghanistan: Situation Report, 18 January 2023. <https://reliefweb.int/report/afghanistan/wfp-afghanistan-situation-report-18-january-2023>

³ Ongoing ASA on Afghanistan Energy Study 2.0, World Bank

access to safe water disproportionately impacts women and girls. Water-dependent sectors accounted for at least 27 percent of the country's Gross Domestic Product (GDP) before the crisis, and agriculture remains the primary source of livelihood for 70 percent of the population.⁴ Female farmers (mainly female heads of household) are disadvantaged compared to men because they have less access to irrigated land, agriculture inputs, and extension services, resulting in higher food insecurity.⁵ Because women and children are primarily responsible for water collection, the lack of water access disproportionately affects them. Their time spent on water collection can interfere with school attendance and engagement in income-generating activities. Girls and women also experience physical and social risks associated with water collection. Recent research in Afghanistan suggests poor water conditions are also associated with higher maternal mortality,⁶ and inadequate WASH facilities has been a barrier to girl's school attendance.⁷

6. Decades of underinvestment in water infrastructure and services and weak sector institutions have created a water crisis in Afghanistan. Addressing it requires private sector engagement across the water-energy-food nexus. A national drought in June 2021 left 80 percent of the country (mostly rural areas) suffering from severe water scarcity. As of mid-2021, rainfall was 41 percent below the 2012-2019 average.⁸ Around 53 percent of the water points went dry, with 35 percent reporting drops in water levels, especially in the arid areas such as Badghis, Ghor, and Faryab provinces.⁹ Climate change is making the water situation worse. Afghanistan is ranked sixth in the world on vulnerability to climate change, and its river basins, especially the Harirude, Panj-Amu, and Kabul River basins, are among the most vulnerable in Asia. Projected temperature increases will reduce snow storage, increase evapotranspiration, and shift the temporal distribution of river runoff, putting additional pressure on already strained water resources. Groundwater levels have also progressively dropped across the country. With a very limited per capita storage infrastructure capacity, managing the ever-increasing seasonal and inter-annual rainfall variability and water availability will continue to be a significant challenge for water security and service provision.

7. Access to drinking water is inadequate, especially in rural areas. In rural areas, water sources are often far away, and supply is typically intermittent, impacting women disproportionately. Only 75 percent of Afghans have access to at least a basic drinking water service – dropping to 66 percent in rural regions. Only half of Afghans have access to basic sanitation services.¹⁰ Piped water is available for very few: in 2020, the WHO/UNICEF Joint Monitoring Programme estimated the use of piped water supplies among the rural population at just six percent. Even where there is access, the quality of service is poor, especially in rural areas. Reports indicate that 30-40 percent of water points in different parts of the country are dysfunctional for various reasons, such as drying water sources, falling water tables, damage from natural disasters, and poor quality of construction materials and equipment. A recent survey in ten provinces of Afghanistan found that, among households with basic access to water, as many as 77 percent (84.1 percent for rural households) consumed water contaminated with *E. coli*.¹¹ As per the WHO's surveillance system, between May 1, 2022, and August 27, 2022, there were a total of 141,361 cases (50.3 percent were females) of acute watery diarrhea (AWD) reported across 136 districts in all 34 provinces,

⁴ Leao, I, Ahmed, M, Kar, A (2018) Jobs from Agriculture in Afghanistan. International Development in Focus. World Bank. <http://hdl.handle.net/10986/29312>

⁵ UNOCHA (2023). World Food Programme Afghanistan: Situation Report, 18 January 2023. <https://reliefweb.int/report/afghanistan/wfp-afghanistan-situation-report-18-january-2023>

⁶ Gon G, Monzon-Llamas L, Benova L, Willey B, Campbell O.M (2014). The contribution of unimproved water and toilet facilities to pregnancy-related mortality in Afghanistan: analysis of the Afghan Mortality Survey. *Trop Med Int Health*, Vol 19(12):1488-99.

⁷ Central Statistics Organization (CSO), Ministry of Public Health (MoPH), and ICF. 2017. Afghanistan Demographic and Health Survey 2015. Kabul, Afghanistan: Central Statistics Organization.

⁸ ITA National Water Affairs Regulation Authority (NWARA). Hydro-Meteorological Drought Monitoring data. May 2021.

⁹ World Vision International, 2021. Drought Rapid Need Assessment for WASH in Ghor, Badghis and Faryab provinces.

¹⁰ Data from the UNICEF/WHO Joint Monitoring Program. <https://washdata.org/data/household#1/table?geo0=country&geo1=AFG>

¹¹ United Nations Office for the Coordination of Humanitarian Affairs (2021) Afghanistan Humanitarian Needs Overview 2021

with 50 associated deaths.¹² Official reports in Afghanistan indicate that, on average, one in every three schools does not have a facility to access drinking water, and two in every three schools do not have basic sanitation facilities. In addition, three million students/children in Afghanistan had no sanitation service at their school in 2019.¹³

8. **Beyond drinking water, irrigated agriculture – the backbone of the rural economy – also suffers from inadequate water supply.** Irrigation covers only about 32 percent of arable land (2.5 million out of 7.8 million hectares), and agricultural water productivity is only US\$0.1 per cubic meter, lower than the average in neighboring countries. The irrigation system consists largely of small-scale and community-managed schemes. Its performance depends not only on technology but also on local arrangements, existing social relations, and the local rules and regulations of water service delivery.

9. **Most irrigation systems are in the valley plains, where water supply is uncertain, not only because of seasonal and inter-annual variations in river discharges but also because of constraints in energy supply for pumping.** Only 38 percent of Afghans (most of them in urban areas) have access to grid electricity. In rural areas, where more than 77 percent of the Afghans live, just 11 percent of the population is connected, and these households face sporadic and unreliable supply.¹⁴ As a result, most Afghan farmers have not adopted electrical pumping for irrigation.

10. **Afghanistan has made some advances in promoting rural electrification, including through mini-grids, community-level micro hydropower, and solar systems.** The World Bank supported the development of many mini grids in communities across the country, with a focus on micro-hydro projects, notably under the Citizens' Charter Afghanistan Project (CCAP) and its precursor, the National Solidarity Program (NSP). Afghanistan is well endowed with solar resources, with 326 days of sunshine a year and annual 24-hour global radiation average of about 215 watts per square meter. The NSP, which included 2,450 solar projects promoting rooftop solar panels and solar water heaters, significantly improved access to electricity in remote villages. Seven in 10 Afghans rely on off-grid energy sources. Most use electricity for lighting, mobile phone charging, and the powering of radio or television sets. The penetration of productivity-improving technologies (such as solar-powered irrigation water pumping) is still very low, however, primarily because of limited affordability, lack of financing, and inadequate awareness of its benefits. The current model for electrically powered irrigation uses diesel-fueled pumps owned by a single farmer or community (including farmers associations). Although demand for solar-powered water pumps is expanding, knowledge and capacities are still limited.

11. **Afghanistan's water sector institutions remain weak and fragmented.** The revised Water Regulatory Law (2020) and the National Water Sector Strategy (2012) sought to create a modern framework for the sector, incorporating principles of integrated water resources management. Implementation of the new framework has been slow, however. Sector institutions have not fully adapted to their intended functions, and the sector structure remains fragmented. The ITA Supreme Council of Water, Land, and Environment (SCoWLE) served as the governing body for water resources management. The planning, regulation, and management of water resources were spread across five ministries, with rural water supply handled by the ITA Ministry of Rural Rehabilitation and Development (MRRD) and urban water services by Urban Water Supply and Sewage (UWASS), the ITA national utility.

12. **In contrast to central-level water institutions, traditional community-led institutions are robust.** Community Development Councils (CDCs) are prominent in WASH service delivery. They are composed of men and women democratically elected by their communities. Over 35,000 CDCs operate in 361 districts in all of

¹² WHO Afghanistan Infectious Disease Outbreaks Situation Report – Epidemiological week #34

¹³ UNICEF and WHO (2020). Progress on drinking water, sanitation, and hygiene in school: special focus on COVID-19. UNICEF.

¹⁴ Korkovelos, A, Bazilian M, Mentis, Dimitrios, M and Howells M (2017) A GIS Approach to planning electrification in Afghanistan. Afghanistan Energy Study. World Bank.

Afghanistan's 34 provinces, providing the largest participatory platform for service delivery in an estimated 90 percent of villages in rural areas. CDCs have been used as channels for local development interventions, allowing the World Bank and other donor-supported organizations to reach the most vulnerable without interacting with the ITA. CDCs have proven effective as entry points for supporting women and have provided a forum for women to engage in decision making, receive information, and access services.

13. ***Mirabs* (community-elected “water masters”) and irrigation associations play a key role in water management among rural communities.** A *Mirab* in every irrigation canal oversees the allocation of water rights (including irrigation), canal maintenance, and the distribution and management of water resources among villagers and landholders according to their traditional water rights (*Haqaaba*). Irrigation associations are volunteer associations that manage the provision of water in an irrigation network. Built on the traditional *Mirab* system, they allow farmers' representatives to participate in decision making regarding the use of water resources and the operation and maintenance (O&M) of irrigation networks within river basins.

14. **Responsibility for the renewable energy subsector is a shared by the ITA Ministry of Rural Rehabilitation and Development (MRRD) and the ITA Ministry of Energy and Water (MEW).** The ITA MEW oversees overall policy and master planning development of the energy sector; the ITA MRRD is responsible for the planning, implementation, and management of all off-grid projects up to 500 kilowatts (kW). The national power utility, Da Afghanistan Breshna Sherkat (DABS), is also active in the off-grid space, providing O&M of several mini-grids.

15. **Most off-grid applications in rural areas are financed and delivered by the private sector.** ITA MEW issues licenses for private renewable energy companies. Operational licenses, issued by the previous administration and still valid under the ITA, permit private companies to construct, install, and operate off-grid systems. In line with the Afghanistan Electricity Law, energy service companies that supply less than 100 kW of electricity to rural areas are exempt from generation licenses. The energy-as-a-service (EaaS) business model, which has proved robust in rolling out off-grid solar and other renewable energy technologies in many countries, has had limited application in Afghanistan.¹⁵

16. **The proposed project will leverage existing community-led institutions to restore access to vital drinking water services and surface water irrigation services in some of the rural communities most affected by the 2021 drought.** It will also pilot the EaaS business model to support improved surface water irrigation services and help catalyze a market of Private Energy Service Companies (PESCs) that can later expand off-grid renewable energy services for productive purposes and income generation in rural areas. The project will be financed by an ARTF grant of US\$100 million. The Aga Khan Foundation (AKF) and the United Nations Office for Project Services (UNOPS) will jointly implement the project over a period of two years. The project will be undertaken against the backdrop of an ongoing drought, deep economic and social crises, and political instability that have created food, health, and water challenges for all Afghans, especially the most vulnerable. Water supply and sanitation have profound human development outcomes and should be prioritized. In the longer term, restoring and maintaining water supplies and irrigation will also improve agricultural productivity and help build resilience against droughts.

C. Relevance to Higher Level Objectives

17. **The proposed project is being processed under Condensed Procedures** as per the Bank Procedure on Preparation of Investment Project Financing for Projects in Situations of Urgent Need of Assistance or Capacity Constraints; and applying paragraph 12 of Section III of the Bank Policy on Investment Project Financing to respond to a situation of urgent need of assistance and extreme capacity constraints due to conflict, fragility, and external shocks. The current political environment requires the World Bank to engage and maintain development gains in

¹⁵ Cleary, K., and K. Palmer. 2019, *Energy-as-a-Service: A Business Model for Expanding Deployment of Low-Carbon Technologies*. Resources for the Future, Washington, DC.

terms of sustainable livelihoods and community systems.

18. **The proposed project fully aligns with the ‘Approach 2.0’ endorsed by the World Bank Board in March 2022.** It is also consistent with the FY17-FY20 Country Partnership Framework (CPF).¹⁶ The project contributes directly to the strategic priorities of Approach Paper 2.0 by providing essential drinking water and irrigation services to vulnerable communities affected by drought, helping preserve human capital and critical economic and social institutions, and improving gender equality outcomes.

19. **The project may be the first in a series focusing on drought emergency relief in Afghanistan’s rural areas, mainly by supporting rural access to drinking water and irrigation for two years.** This would allow the World Bank to (i) respond to the immediate needs in drought-affected rural areas while building consensus on future water interventions; and (ii) to build long-term drought resilience that could enable World Bank engagement beyond the drought emergency response to address other water-related challenges in rural and urban areas. Subject to fund availability and extension of ARTF, the World Bank could consider proposals for investments in urban water supply and sanitation, targeting the most water-stressed urban areas, and investments to build the resilience of productive sectors to droughts.

20. **The project also aligns with the World Bank Group Strategy for Fragility, Conflict, and Violence (FCV) 2020-2025 and the World Bank Group Gender Strategy 2016-2023.** The project addresses gaps in access to water services, which disproportionately impact women and girls. It also aims to improve voice and agency and to provide job opportunities and training to targeted female beneficiaries. The project aligns with the need to deliver for and with the participation of women.

21. **The project is consistent with the World Bank’s Global Crisis Response Framework (GCRF).** Pillars 1 (responding to food insecurity), 2 (protecting people and preserving jobs), and 3 (strengthening resilience) are the bedrock of the proposed project. Project interventions related to irrigation services will contribute to Pillars 1 and 3; interventions on drinking water services will contribute to Pillar 2.

22. **The proposed project includes one Entry Criterion for Access (ECA)** to ensure that the principles of community and women’s participation are maintained in CDCs. The ECA ensures that project activities remain aligned with these principles, that CDCs established in the project areas are not prohibited from operating, and that women’s involvement in CDCs is not prohibited. This ECA provides a platform around which ARTF donors, project implementation entities, and the World Bank can assess whether the situation continues to meet conditions required for implementing activities such as the operations of CDCs and involvement of women in CDCs. Funds will not be released for activities on drinking water access or off-grid solar-powered irrigation in communities where the ECA is not met. Details of the ECA will be set out in the Project Operations Manual (POM).

Table 1. Entry Criterion for Access: Involvement by CDCs and Women

Item	Details
Definition	The Project will only engage where established CDCs in project areas are not prohibited to operate; women’s involvement in CDCs is not prohibited
Application	An ARTF-supported Monitoring Agent (MA) will provide quarterly reports of the ECA compliance on related project components.
Verification	ARTF MA

¹⁶ FY17–20, No. 108727-AF, October 2, 2016, discussed at the Board on October 27, 2016, and extended to FY22 by the PLR.

Noncompliance

In communities where CDCs are prohibited from operating, the Project will not provide assistance and will move to other areas. Communities will be given three weeks starting from the time the Project is introduced in a community to meet this ECA.

II. PROJECT DESCRIPTION

A. Project Development Objective

23. **The Project Development Objective (PDO) is to improve access to safe drinking water and irrigation water services in selected rural areas.** The PDO outcome indicators include the following:

- People provided with access to safe drinking water services/of which are females (1,226,880 /613,440)
- Water sampled that complies with WHO standards for bacteriological and physical quality (80 Percent)
- Farmers gaining access to irrigation water services /of which are female (to be quantified within 45 days upon completion of the inception period)

24. **The project aims to contribute to narrowing the existing gender gaps in the sector and to meaningfully engage women in project implementation.** The project will involve women at all stages: first, as the project's primary beneficiaries, and second, through a community-based approach that will include women during project implementation. The project's design lays out a particular focus on women (through the ECAs, social safeguards, and results monitoring). The project will also leverage the private sector for solar pump systems via PESCs, prioritizing women-owned and women-employing PESCs.

25. **Definitions. Safe drinking water** means drinking water from an improved source within no more than 30 minutes of roundtrip collection time and is free from fecal and priority chemical contamination.

B. Project Components

26. **Component 1: Provision of Emergency Water Supply in Identified Rural Areas (US\$52 million).** This component will finance several emergency interventions in rural areas in extreme and severe drought-affected provinces. Through the construction and rehabilitation of small and medium-scale climate-resilient water supply systems, the project will improve access to basic water services that make households and communities more resilient to drought and other risks. The POM will detail the selection criteria for target areas. Consistent with the approach taken under the CCAP, this component will leverage provincial and district-level risk profile data and maps from national multi-hazard risk assessments to inform climate-resilience infrastructure identification and designs. Selection of locations for Component 1 activities will be coordinated with the ongoing Community Resilience Livelihood Project (CRLP), so that the project prioritizes areas in which CDCs are active and inclusive and women's subcommittees are already engaging in community decision making.

27. **This component will support short- to medium-term interventions for drinking water provision, including the following:**

- Development/rehabilitation of water systems, including building new wells equipped with solar-powered pumps and handpumps, water tanks or reservoirs, pipes and distribution networks, and household connections for the affected rural communities and rehabilitation and replacement of priority small drinking water supply systems, including water wells, pipes, pumps, water tanks/reservoirs, solar and power generators (if any). A water quality survey will be carried out before well drillings in the target area, and each newly drilled well will be tested to ensure the quality meeting the applied standards before installing equipment. Through the CDCs, women will be engaged in decision-making regarding community priorities and the placement of new wells.

- Implementation of a public awareness campaign on the importance of good WASH practices with a focus on women and girls, including the provision of chlorine tablets for households, schools, and health facilities.
- Provision of water supply and sanitation services to critical public institutions and places with a special focus on girl's schools, key health facilities, and public places such as markets, bus stations, and playgrounds. Where piped water supply is not feasible, the project will support the provision of safe drinking water through water tanker trucks.

28. **At the completion of Component 1, ownership of the project installed assets (wells, pipes, pumps, tanks, etc.) will be transferred to the CDCs which act on behalf of the communities.** The CDCs will be responsible for the future operation and maintenance of the water supply assets, in accordance with local conventions. In terms of schools, health facilities, and public markets, the health and education sectors and CDCs will receive ownership and maintenance responsibility for the assets. Evidence from the NSP, the CCAP, and UNICEF operations suggests that the operation and maintenance (O&M) in rural community water supply systems mainly relies on (i) tariffs and contributions from users; and (ii) technical personnel (mechanics) for taking care of the daily O&M, fee collection and dispute resolutions. They are employed by communities and paid in cash or in kind from tariffs and users' contributions. Collection of tariffs and contributions covers O&M costs and yields some community savings for business development, according to UNICEF. Mechanics working on daily O&M have been paid on time and in some cases receive performance bonuses. Most of the repair parts they need are readily available in local markets. This mechanism works because of the tradition of community ownership in rural Afghanistan, which has remained strong. The project will apply this O&M arrangement through the CDC mechanism, focusing on women sub-committees.

29. **Solar-pumped water supply systems have developed exponentially in Afghanistan since 2015 and are** gradually replacing traditional hand-pumped or diesel generator-pumped systems. These systems are more reliable and cost-effective in O&M. The project will train mechanics and other related personnel through Project Implementing Entities (PIEs), and a tool kit will be provided at the end of the training for daily O&M purposes.

30. **Component 2: Improved Surface Water Irrigation Using Solar Technologies in Selected Rural Areas (US\$35 million).** This component will finance the provision of off-grid solar systems and, where applicable, energy-efficient equipment to support installation and improved surface water irrigation efficiency in the selected areas. This will include small civil works related to the installation of off-grid photovoltaic (PV) solar panels, irrigation pumps, and any associated equipment to energize irrigation pumps and provide connections to existing irrigation canals. These solar-powered water pumping systems will be installed to supply surface water for irrigation to meet the needs of farmers in identified rural areas. The size of solar pumping systems will be selected after analyzing the relevant parameters such as irrigation surface, solar irradiation water demand, water source, design flow rate, storage, and location.

31. **This component will pilot the EaaS model by contracting PESCs to construct, install, and handle the operations and maintenance of solar-powered irrigation pumps and associated equipment and services.** Companies will be vetted through a process established by UNOPS. PESCs will be contracted on a cost-sharing basis, with the project providing 80 percent of capital costs and the PESCs providing the remaining 20 percent (in kind). UNOPS will define priority areas, focusing on drought-affected districts with surface water bodies. The project will pay O&M costs, fully or partially, until the end of the project. It will facilitate PESCs and beneficiary farmer communities to reach an agreement on the tariff for O&M. **At completion of Component 2, the PESCS will own all assets provided by the project, including solar generating equipment, subject to satisfactory performance.**

32. **The project, through Component 2, will establish and strengthen a private renewable energy market in Afghanistan.** By contracting and engaging with PESCs, the renewable energy market will grow and consolidate.

This piloting process will inform the potential expansion of support for off-grid renewable power for safe drinking water, surface water irrigation, cold storage equipment and service for agricultural, medical, and other uses, electricity access, and electricity supply to small and medium businesses. PESCs are not required to have any substantial and direct engagement with the ITA to implement this project. Their only potential engagement would be registration/renewal of their licenses with the ITA Ministry of Commerce and Industry. Given that the market for the services of PESCs is nascent, no intervention is expected from the energy sector regulator in the ITA MEW. The proposed inception phase will detail the marketing situation, feasible locations, water availability/sources, social considerations, including preserving water rights and appropriate service provision, and socio-environmental impacts.

33. **UNOPs will undertake planning, geographical selection, and community engagement, in parallel with the screening and selection of PESCs, which will provide services and lead on subproject implementation.** All procurement will be done centrally by UNOPS. The International Finance Corporation (IFC) will collaborate with UNOPS to assess the possibility of using IFC advisory services to support implementation of Component 2.

34. **Component 3: Technical Training and Public Awareness Campaigns (US\$3 million).** This component will finance consultancy services to develop and deliver technical training modules for water-related entities, with a focus on entities in which women's participation is still allowed, such as private sector employment and community-level platforms (women's subcommittees of CDCs). It aims to build the capacities of technical experts (both male and female) working in water resource planning and delivery. Training will target various levels of management, technical, and other related personnel. Awareness campaigns will be carried out on efficient water use and sanitation and the benefits of using renewable energy for irrigation. The project will ensure that women have access to training. It will coordinate with the CRLP and the Health Emergency Response (HER) Project to deliver trainings to women's subcommittees of the CDCs and to ensure that female HER community health workers (nutrition counsellors, community nurses, and midwives) are knowledgeable and equipped to educate women and girls on WASH.

35. **Component 4: Implementation Support (US\$10 million).** This component will support the costs the Aga Khan Foundation USA (AKF-USA, \$6 million) and UNOPS (\$4million) incur to manage and oversee the program, including technical support, training, monitoring, and reporting. It will finance (a) the direct project management and supervision costs required to support project implementation; (b) general management support and indirect costs and fees for the PIEs; (c) project monitoring, evaluation, and coordination at the national and regional levels; and (d) establishment of a Grievance Redress Mechanism (GRM).

C. Project Beneficiaries

36. **The primary beneficiaries will be the rural population in the selected areas.** The project will prioritize 16 drought-affected provinces covering approximately 120 districts that face severe constraints to access safe water and sanitation facilities. The estimated number of beneficiaries is around 1.2 million people. Other districts may be added under Component 2 where surface water and demand for services exist.

37. **The beneficiary provinces and related villages will be selected based on the selection criteria developed in coordination with the selected PIEs and informed by the beneficiary assessment reports.** Needs assessments will be carried out by PIEs together with the communities and CDCs.

38. **AKF-USA and UNOPS will undertake a beneficiary assessment to identify the geographical distribution and number of beneficiaries in the targeted areas.** Beneficiary identification factors will include (a) inclusion of women in community decision making on water supply and management via the CDCs; (b) socio-demographic characteristics of households; (c) the accessibility of water sources for the community (time spent and saved collecting/fetching water, water availability, access to water, and risks of sexual exploitation, abuse, and sexual harassment [SEA/SH] of girls and women); (d) perceived change in water quality and human health; (e) access to

sanitation services; and (f) the incidence of waterborne diseases.

D. Results Chain

39. **The results chain of the proposed project posits that support in the water supply and irrigation sectors is critical to improve water services and enhance public health outcomes and the wellbeing of communities.** The following figure illustrates how specific activities are expected to translate into results/outputs and project outcomes.

Activities	Outputs	PDO/Intermediate Outcomes	High-level outcomes
<p>Component 1: Provision of emergency water supply in identified rural areas</p> <ul style="list-style-type: none">• Development/rehabilitation of water systems• Implementation of public awareness campaign on good WASH practices• Provision of water supply and sanitation services to critical public institutions and places	<p>The newly built water supply systems including wells/boreholes/water schemes (equipped with handpump/ solar powered pumps)</p> <p>Rehabilitated water systems and networks</p>	<p>People provided with access to improved water sources/of which are females</p> <p>Percentage of water distributed that complies with WHO standards for biological and physical quality</p>	<p>Community and household resilience and livelihood strengthened</p> <p>Urgent water supply services are sustained</p> <p>Community institutions are preserved</p>
<p>Component 2: Improved surface water irrigation using solar technologies in selected rural areas</p> <ul style="list-style-type: none">• Provision of off-grid solar systems for surface water irrigation	<p>Off-grid solar pumps installed and operational for surface water irrigation access</p>	<p>Farmers benefited from improved irrigation water access</p>	
<p>Component 3: Technical training and public awareness campaigns</p>	<p>Development and delivery of training modules for water related entities on management, technical, vocational and hygiene education.</p>	<p>Knowledge and awareness enhanced on water management and hygiene for water related entities, communities and professionals</p>	
<p>Component 4: Implementation support</p>			

Assumptions:

- The project's financial payment system will be operational and reliable
- Security conditions among project areas allow for continued operations
- Implementation agencies will have safe and unhindered access to targeted areas and populations
- Implementation partners, PESCs, and CDCs are effective partners in supporting beneficiary identification, assistance distribution and monitoring

Figure 1. The Result Chain of the Water Emergency Relief Project

E. Rationale for Bank Involvement and Role of Partners

40. **The World Bank has significant experience and recognized expertise in the water sector, including crisis situations and FCV settings.** The Bank will build on its expertise in water supply, electricity supply for irrigation services, and private sector development in Afghanistan. The Bank is well-placed to support a sustained response to the drought crisis that currently places the country under famine watch. Further, the Bank will leverage its longstanding cooperation with AKF and UNOPS and build on their operational and technical capabilities on the ground to provide emergency water supply in the short and medium term.

41. **The WBG FCV Strategy recognizes the critical role of partnerships in operationalizing support in FCV settings.** Guided by the strategy, the World Bank will build its partnerships based on respective complementarities and comparative advantages. The critical nature of an effective presence on the ground is vital to delivering results in FCV settings, and the trust built with AKF and UNOPS over time will prove helpful in the current country context.

42. **The project complements and supports several ongoing Bank-financed projects in Afghanistan,** including (a) the Afghanistan Emergency Food Security Project (P178280), which focuses on households and smallholder farmers most affected by drought and food insecurity by providing agriculture inputs and inclusive services, including irrigation water through rehabilitation of damaged irrigation canals, riverbank protections, and

watershed management; (b) the Community Resilience and Livelihood Project (P176760), which focuses on short-term livelihood opportunities and delivers essential services in rural and urban areas; and (c) the Education Emergency Response in Afghanistan Project (P178758) and the Afghanistan HER Project (P178775), both of which include WASH components. This project will leverage this experience, particularly through community approaches and other funding streams outside donor contributions.

F. Lessons Learned and Reflected in the Project Design

43. **The project draws on the World Bank's two decades of experiences in water supply and irrigation projects and community-based development operations in Afghanistan.** It will apply lessons learned from the NSP and the CCAP, including the following:

- **Partnering with communities and their representatives has proven to be an effective way to deliver services in Afghanistan.** CDCs have shown that communities can plan and manage development activities. The community-driven development (CDD) approach proves more cost-effective and more sustainable by promoting: (i) lower transaction costs due to community participation in development planning and executing subprojects; and (ii) ownership of assets for higher sustainability.
- **Ensuring pragmatism and flexibility for operations in FCV settings is essential.** Projects in FCV settings should adopt a differentiated approach and promote "best-fit" solutions tailored to the country's constraints and challenges, with special attention to low implementation capacity, medium to high levels of insecurity, and engagement with communities.¹⁷
- **Projects should have the potential for scalability.** This project allows flexibility to scale up interventions or consider additional financing during implementation to enable the project to adapt to early results and potential changes in the operating context in Afghanistan. Lessons learned from fragile and disaster-prone contexts point to the need for enhanced flexibility and responsiveness to adapt in case of emergencies.
- **The private sector is critical to engaging in FCV settings.** Under certain conditions, private sector engagement with farmer communities has yielded positive economic, social, and environmental outcomes under specific conditions. While collecting revenue from communities has generally resulted in financial losses for the companies, it can be minimized by managing the arrangements between the farmers and private sector companies through Farmers' Cooperatives. Losses have been less than 10 percent through this type of arrangement. Similarly, the benefits of solar energy equipment are well established if the quality provided is adequate. Interventions must ensure the procurement of quality products to reap the long-term benefits of productive uses of solar energy equipment in the country.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

44. **The project will be jointly implemented by the Aga Khan Foundation (AKF; Components 1 and 3), and by UNOPS (Component 2), in a coordinated manner.** AKF began working in Afghanistan since 1996. In conjunction with its partners, it has committed over US\$1 billion in development assistance. Its activities in Afghanistan cover a broad range of humanitarian, economic, social, and cultural field interventions, including extensive experience delivering water supply and irrigation support activities, including as part of the CCAP. The Aga Khan Development

¹⁷ World Bank. 2011. World Development Report 2011: Conflict, Security, and Development. Washington, DC

Network (AKDN) operates in all 34 provinces of Afghanistan, implementing projects directly and leveraging a broad network of NGOs and implementation partners. UNOPS has longstanding country and global experience working with the World Bank to implement livelihood projects at the community level, especially in FCV environments, and solar-powered pumped water projects. It also has experience managing renewable energy projects in Afghanistan, in both rural and urban areas. It worked on installing wind and solar hybrid plants in Herat. It conducted a feasibility study to rehabilitate a wastewater treatment plant in Kabul (through the “Enhancing Energy Security in Afghanistan through Renewable Energy Solutions” project, funded by the government of Japan). It helped install off-grid solar power systems across the country, including at 24 schools in Parwan, Kapisa, and Panjshir provinces; 14 schools and 3 community health clinics in Nangarhar province; the Polio Emergency Operation Centre; and the UNOPS Afghanistan Office in Kabul.

45. **For Components 1 and 3, AKF will appoint its AKF-USA as the Grant Recipient.** AKF-USA will establish a Project Implementation Unit (PIU) in Kabul (Afghanistan) to ensure quality implementation and timely response to the project needs. This PIU will be responsible for (a) overall project coordination through establishing a steering committee composed of WB, AFK, UNOPS, UNICEF, USAID, and other prominent water sector practitioners, which will regularly communicate, in order to avoid possible duplication of efforts, and (b) project implementation, including procurement, financial management, environmental and social (E&S) safeguards, monitoring, evaluation, and other project management aspects. AKF-USA will engage AKF Afghanistan (AKF-AFG) and up to three NGOs (to be selected) as PIEs by signing subsidiary agreements. The four PIEs will be responsible for delivering all Component 1 works and Component 3 WASH hygiene kits and public awareness campaigns. The PIU (AKF-USA) will manage the four PIEs to ensure that project works, and activities will be carried out in a timely manner and in compliance with Bank rules and policies.

46. **AKF-USA, with its PIEs, will leverage its existing institutional arrangements with local CDCs, private service providers, and contractors to deliver the works and hygiene campaigns on the ground.** AKF-AFG will implement the project in eight provinces (Badakhshan, Takhar, Baghlan, Samangan, Balkh, Bamyan, Parwan, and Panjshir) where they have a long-term presence and networks, and the three other NGOs will carry out the project implementation in the remaining eight provinces where they have strong presence and networks. The project will focus on its mandate to provide the communities with basic drinking water supply and irrigation. The support will remain outside the control of the interim Taliban administration and have only limited, ringfenced, technical level interactions with departments of select line ministries. There will be no direct touch points with the ITA other than at a technical level, if needed, to benefit the communities and efficiently achieve the project’s development objectives. The final selection of any sub-project will be assessed in consultation with communities (through CDCs). CDCs will oversee the civil works identified based on local priorities in the targeted areas.

47. **CDCs will be central for the identification of community sub-projects and project implementation.** CDCs are community-based decision-making bodies composed of both men and women democratically elected by their communities. CDCs act as the subnational governance and development body to help deliver services at the local level. The PIU and its four PIEs will work with CDCs in the targeted geographies to identify and quantify water supply and irrigation needs and to scope and implement the project activities. In addition, women’s sub-committees of the CDCs will be engaged and consulted on community priorities and the location of wells.

48. **UNOPS will be the grant recipient for Component 2.** It will be responsible for the overall coordination, screening, selection, and contracting of PESCs. It will engage with communities and manage fiduciary, environmental, and social risk, quality assurance, monitoring, and reporting. The PIU will be established, including staff supporting several key functions, including program and contract management, financial management, procurement and supply chain, social mobilization and training, reporting, monitoring and evaluation, gender, grievance redress, security risk management, and environmental and social risk management.

49. **Private Energy Service Companies.** PESCs are private companies with experience implementing solar projects, including supplying, installing, and operating solar-powered systems. UNOPS will competitively select

them through a prequalification process to ensure that companies have adequate technical, operational, and financial capacity. PESCs' capability and willingness to invest 20 percent of the capital cost (in kind) and their ability to provide services in the selected areas will be part of the selection process. PESCs owned or headed by women or having women in leadership positions will be prioritized. PESCs will primarily provide solar-generated power supply for surface water pumping services for irrigation; they may also offer energy services in other areas, including lighting services for rural households, hospitals, and health clinics. UNOPS will train PESCs to improve implementation and sustainability. During the first six months of Component 2, a rapid survey will be conducted to identify feasible locations; water availability/sources; social considerations, including water rights and appropriate service provision; and socio-environmental impacts. The survey results will determine the appropriate service provision in each target area. PESCs will be selected through prequalification based on a set of criteria agreed between the World Bank and UNOPS and specified in the POM. The POM will also include a description of the roles and responsibilities of UNOPS and PESCs in the implementation of Component 2 and an operational schedule and criteria on evaluation of PESCs performance.

50. **Community Engagement.** As PESCs will use common water sources and collective village water distribution systems, community consultations will be essential to avoid conflicts and create acceptance for electricity based improved irrigation. The social considerations resulting from the rapid survey will inform the relevance/acceptance of PESCs.

51. **Operations & Maintenance.** The engagement of PESCs will be on a cost-sharing basis, with the project providing 80 percent of capital costs in the form of procured equipment and the PESCs providing the remaining 20 percent (non-monetary). The project will fully support the PESC for O&M of the first six months of operation, followed by an incremental O&M cost-sharing contribution by farmers (see Table 2). The cost farmers pay will gradually increase until the full cost recovery level by the end of year two. The ownership of all assets (equipment) provided as part of the project, including solar power generation equipment, will be retained by PESC upon completion of component 2 and subject to their satisfactory performance. UNOPS will facilitate the development of a water fee structure between the PESCs and communities to support the sustainability of private operations and avoid social tensions. To avoid any irregularities, the ARTF MA will monitor the 20 percent non-monetary contribution of PESCs, and payment of O&M cost to the PESCs. Although there is already an initial estimate that the 20 percent would cover installation costs, cabling, solar panel support structures, piping, and the required civil works, the estimation and verification process will be further refined and agreed upon with the Bank in the POM during the inception phase.

Table 2. Proposed O&M cost-sharing structure for the provision of irrigation water services (to be finalized following the inception period)

Months	Percent of O&M funded by project	Percent of O&M funded by farmers
1 - 6	100	0
7 - 12	50	50
13 - onwards	0	100

52. **The project has a two-year implementation period.** AKF-USA and UNOPS will implement their respective activities in parallel. Component 4 (Implementation support, \$10 million) will support the implementation cost for AKF-USA (\$6 million) and for UNOPS (\$4 million). This segregation arrangement between the two parties for the implementation would enable the project to be completed within the scheduled two-year period. UNOPS would carry out main goods procurement (solar panels, pumps, and main pipes) centrally and then distribute the equipment to PESCs to perform respective works and installations in parallel in all target areas. With these

arrangements, a two-year project period is sufficient to achieve project objectives. At project closing, the ownership of all drinking water assets provided (Component 1) will be handed over to the CDCs, acting on behalf of the communities. Under Component 2, the ownership of the equipment for the solar-powered irrigation systems will be handed over at the project closing the PESCs in areas where they are engaged. In addition, the CDCs and PESCs will be responsible for the future O&M of the water supply and solar-powered irrigation assets.

B. Results Monitoring and Evaluation Arrangements

53. **The PIUs will manage the M&E arrangements for respective components.** For Components 1 and 3, the AKF-USA is responsible for results M&E, working with the PIEs. Each PIE will have an office in each province, working with CDC and local parties. The collection of data will be carried out by the provincial office, and the PIEs will verify and cross-check the results before submitting them to AKF's PIU, which will further carry out verification and cross-checking through data analysis and sample field checking. For Component 2, UNOPS will carry out the M&E by coordinating with the PESCs and working directly with CDCs and local parties. Additionally, the ARTF MA will be deployed to verify and carry out the M&E. The World Bank will provide implementation support and supervision to ensure that the technical design is sound, activities proceed according to plan, and development partners coordinate their efforts closely.

C. Sustainability

54. **The project promotes sustainability by enhancing service delivery and protecting human capital, notably of the most vulnerable.** Women will be engaged at all stages of the project and are intended to be the primary beneficiaries of project activities. Specifically, the project will build institutional capacity at the community level and amongst PESCs. CDCs will also be trained throughout project implementation, including the operation of installed assets.

55. **The project will enhance the quality and maintenance of the assets of the beneficiary communities.** The project will build on CCAP and the energy sector experience to emphasize O&M of installed water supply and solar-powered irrigation equipment and develop training modules on this topic. Technical audits of the NSP infrastructure have found that the communities usually bear routine maintenance costs of water points, irrigation, and electricity schemes through collective user fees or pooled voluntary labor. Finally, the project will strengthen the resilience of the infrastructure to disasters by enhancing the design and providing training.

56. **The project will enhance the private energy services market,** which is very limited in Afghanistan. Some private sector companies have begun renting solar panels to farmers, which farmers use to power their own water pumps and other associated equipment for pumping irrigation water. Afghanistan is not fully exploiting its solar energy potential, however, which is critical to enhancing economic growth, increasing employment, and generating income opportunities. As most Afghans do not have access to the grid in rural areas, solar-powered appliances are critical. Solar-powered water pumps can play a significant role in improving surface water irrigation, increasing agricultural productivity.

57. **The project identifies and addresses critical bottlenecks which impede the private sector engagement.** These constraints range from limited in-country availability of good-quality products, lack of financing, and limited awareness of renewable energy technologies in rural communities. By addressing some of these key constraints, Component 2 aims to promote the creation of an energy service market. As surface water pumping for irrigation is seasonal, PESCs could provide additional energy services to rural communities, such as lighting services to rural households; battery-charging stations; flour-milling services; and electricity for schools, health clinics, and local businesses.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic, and Financial Analysis

(i) Technical Analysis

58. **The project is based on proven technologies and approaches widely deployed internationally and in Afghanistan to improve access to and the performance of water supply and irrigation services.** It builds on and draws lessons learned from World Bank community-based programs in Afghanistan that involved water supply and irrigation interventions, including the NSP and the CCAP.

59. **The CCAP activities implemented under the WERP are neither unique nor include any untested technologies or processes.** The proposed project activities are applied extensively globally and, in many cases, in Afghanistan under the NSP and early implementation of the CCAP. Table 3 shows the CCAP typology of investments to be implemented under WERP:

Table 3. Types of works to be implemented under Component 1

Reservoirs	Wells
<ul style="list-style-type: none">• (Pool) water reservoir• (Kanda) water reservoir• Elevated water reservoir• Surface water reservoir• Underground water reservoir	<ul style="list-style-type: none">• Percussion tube shallow well• Digger shallow well• Rotary tube shallow well• Deep wells• Percussion deep well• Rotary deep well
Water supply networks	Others
<ul style="list-style-type: none">• By gravity water supply network• Solar pumping water supply network• Power pumping water supply network	<ul style="list-style-type: none">• Hand pump• Reverse osmosis water filtration

60. **As part of CCAP preparation, these interventions were found to be technically feasible and appropriate for Afghanistan.** The design of the CCAP builds on 14 years of successful delivery of the NSP, as well as a broad range of international examples of similar interventions involving community-driven programs in Cambodia, India, Indonesia, the Republic of Korea, and the Philippines.

61. **The technologies in the WERP have been widely deployed in Afghanistan by CDCs and some PESCs.** The timing and duration of the activities are therefore adequate and relevant to the urgent need to improve access to water, sanitation, and irrigation services. The implementation arrangements consider the highly volatile operational context in Afghanistan; the constrained institutional capacity for delivery; and challenges to vulnerable groups, especially women.

(ii) Economic Analysis

62. **The project builds on extensive community-based water supply and irrigation experience in Afghanistan, providing strong evidence of the economic returns for such activities.** Between 2003 and 2016, the NSP funded some 82,000 sub-projects, including improving access to transport, water supply, sanitation, irrigation, electricity, and schools in approximately 35,000 communities in all 34 provinces. An external study of

the NSP III found positive economic rates of return (ERR) across the range of activities but especially for water, irrigation, and power subprojects. The overall ERR was 41.4 percent for the four subproject investments. Under NSP II, the ERR analysis conducted as part of the NSP II Implementation Completion Report (ICR) concluded a weighted ERR for sampled subprojects of 69.3 percent. In comparison, the financial rate of return was over 100 percent across a small sample.¹⁸

63. **World Bank analysis of CCAP projects implemented in 2018 and 2019 finds that rural drinking water and irrigation projects have a robust economic internal rate of return (EIRR).** Building on the NSP, the CCAP identified another 4,822 drinking water projects in 121 districts across all provinces in Afghanistan (2,014 were ongoing at the time of the crisis, 2,808 had been approved). Analysis of the projects completed found that the average EIRR was 54 percent for borehole well water supply projects and 239 percent for irrigation projects. The benefits associated with borehole well projects were based on the time saved collecting water from more distant water sources. The benefits of small-scale irrigation projects were based on time saved and associated opportunity costs. Given the alignment of proposed project activities with those undertaken under the NSP and CCAP, rates of return are expected to be similar.

64. **The EIRR of Component 2 is 11 percent, meaning that the project is expected to be economical for PESCs to continue sustainably beyond project closing.** The economic analysis considered three sizes of projects – small, medium, and large – defined by the irrigation demand that needs to be met by the Project. The inputs into the economic analysis of Component 2 can be found in Table 4.

Table 4. Component 2 economic inputs

Variable	Unit	Value
Crop size (S/M/L)	Hectare (ha)	S=5, M=9, L=18
Irrigation requirement	Liters of water (L_w) required per ha per year	5,699,375
Willingness to pay	US\$ per L_w pumped	0.00002
Capital cost of installed solar/battery pumping system (S/M/L)	US\$ per L_w per hour	S=\$4200, M=\$7700, L=\$13400
O&M cost of solar/battery pumping system	Percent of capital cost	2–5
Cost of diesel	US\$ per L of diesel (L_d)	\$1.1/L
Capital cost of installed diesel pumping system (S/M/L)	US\$ per L_w per hour	S=700, M=1000, L=1500
Fuel efficiency diesel pumping system	L_d per L_w pumped	S=1.9, M=1.8, L=1.7
O&M cost of diesel pumping system	Percent of capital costs	5–10
Inflation rate	Percent	13.6

65. Based on the economic inputs and assumptions, the EIRR for the Component 2 ranges between 13 percent for small projects to 11 percent for large projects, with the payback period for PESCs for the 20 percent cost contribution between 1.91 and 1.51 years.

(iii) Financial analysis

66. The financial analysis also considered three sizes of irrigation systems – small, medium, and large – defined

¹⁸ World Bank. 2012. National Solidarity Program II - Implementation Completion and Results Report. Washington, DC: World Bank.

by the irrigation demand that needs to be met by the project. The cost of solar-powered systems was compared with that of similar types of water pumping systems using diesel fuel during a ten-year period. The key difference between the two systems (solar and diesel-powered) was the cost of Capital Expense (CAPEX) and Operating Expense (OPEX). While the solar-powered systems have high CAPEX and very low OPEX during the assessed period (ten years), diesel-powered systems featured lower CAPEX, but high OPEX driven by increasing fuel charges. For the analysis, the utilization factor was equal between the two systems. Still, a solar-powered system has a higher utilization factor because it is more economical considering low OPEX and no potential overheating of generation equipment (diesel generators cannot be continuously used longer than 3-4 due to overheating).

67. The results of the performed financial analysis are summarized in Table 5.

Table 5. Summary of Financial Analysis for Component 2

Item	Size of irrigation system		
	Small	Medium	Large
Internal rate of return (IRR) without capital contribution by PESCs (percent)	7.9	10.0	12.5
NPV without Capital contribution by PESCs (US\$)	1,053	1,595	2,527
IRR with Capital contribution by PESC (percent)	48	60	79
NPV with Capital contribution by PESCs (US\$)	1,615	3,359	7,712
PBP (yrs) (with Capital contribution by PESC)	2.04	1.63	1.25

68. The team also carried out a sensitivity analysis of the cost of pumping. The analysis showed that with the project's contribution of 80 percent towards the capital cost, and if the PESCs offer the pumping services to farmers at a 30 percent lower tariff than what the farmers are paying for diesel systems, the investment for PESCs remains very profitable with IRR between 30 – 51 percent depending on the size of the system.

B. Fiduciary

(i) Financial Management

69. **AKF-USA will have overall financial management responsibility for Components 1 and 3.** The PIU will be responsible for overall financial management of components 1, 3, and 4. It will maintain separate ledgers on an accrual basis to record project-related receipts and payments in compliance with International Financial Reporting Standards (IFRS). The PIU will submit quarterly Interim Unaudited Financial Reports (IUFRs) within 45 days of the end of each calendar quarter. It will prepare the consolidated annual financial statements covering the project implemented by the PIU and co-signatories of the subsidiary agreements (AKF-Afghanistan [AKF-AFG] and the three additional PIEs). The World Bank and AKF-USA will jointly develop the terms of reference (TOR) for the ARTF monitoring agent, which will indicate the scope of financial and physical monitoring. The project's internal audit will be conducted annually by AKF-AFG's internal audit department, which is functionally independent and reports directly to the audit coordinator at the foundation's Geneva headquarters. Moreover, the AKF-USA will appoint a well-reputed external audit firm to audit project components 1, 3, and 4 (a) based on the TORs agreed with the World Bank.

70. The assessment identified project-specific FM risks in the prevailing operating environment related to project design, the absence of a tailored Management Information System (MIS), etc. The overall inherent fiduciary risk of the project for AKF-AFG is assessed as "High." The project design includes measures to mitigate the identified fiduciary risks, including disbursement conditions. After the implementation of the proposed

mitigation measures, the residual fiduciary risk is assessed as **"Substantial"**.

71. **Disbursements and fund flow arrangements:** Disbursement will be Statement of Expenditure (SOE) based on quarterly replenishments, and the SOE will report the project advances and actual expenditures per quarter, which will be reviewed and certified by the ARTF MA based on which the account will be replenished. Funds will be transferred from World Bank to the AKF-USA corporate account and then to the Crown Agent Bank account in the UK for onward transfer of cash into Afghanistan using the UN cash facility and depositing in the cash vault of the AIB Bank account. The PIU will open a special bank account in the FMFB Bank where funds from the AIB Bank account will be transferred for onward transfer to suppliers, contractors, staff, and consultants for activities implemented by the PIU directly and to the AKF-AFG pooled account and three additional PIEs Bank accounts to be opened in the FMFB Bank.

72. The project design includes disbursement conditions, including the due diligence of the PIEs other than AKF-AFG by the PIU, fiduciary assessment of the same by the Bank, and signing of the subsidiary agreements of the AKF-USA with the PIEs.

73. **UNOPS will be responsible for managing the financial management for Component 2.** The FM arrangements will be governed by the Financial Management Framework Agreement (FMFA), which provides for using the UN's financial regulations. The PIU will maintain separate ledgers on the cash basis of accounting to record the project-related receipts and payments. The project's transactions will be subject to compliance with Cash Basis International Public Sector Accounting Standards (IPSAS). The UNOPS Internal Audit and Investigation Group will conduct the annual internal audit of project Component 2. They will submit the internal audit report to the World Bank within six months from the end of each calendar year. The UN external auditors will audit the project financial statements per the UN System Accounting Standards. As per FMFA, the Bank recognizes the UN single audit principle. There is no overdue external audit report of the ongoing CRLP implemented by UNOPS. Moreover, the UNOPS will mutually agree with the Bank on the ARTF MA on TORs to conduct the physical and financial monitoring of the project activities and, where necessary, sample beneficiary verification.

74. The assessment identified some project-specific FM risks in the context of the prevailing operational environment. Therefore, the overall inherent fiduciary risk of the project for UNOPS was assessed as **"High"**. After the implementation of mitigation measures, the residual fiduciary risk is assessed as **"Substantial"**.

75. **Funds flow and disbursement:** Disbursement from World Bank to UNOPS will be based on quarterly IUFs, which will be submitted to the World Bank within 45 days of the end of each financial quarter. The World Bank will transfer funds into the UNOPS corporate bank account. UNOPS will be responsible for arranging the transfer of funds into Afghanistan and onward transfer to private contractors, NGOs, and other vendors.

76. **Reporting requirement of AKF and UNOPS on indicators for female beneficiaries:** The following monitoring indicators will be reported upon in AKF and UNOPS' regular quarterly reports and, together with the IUF and SOE, will be considered each time when a regular or off-cycle advance request is made. The requirement of submission of the agreed upon the UN Harmonized Monitoring and Reporting Indicators for Afghanistan Response (UNHMRIR) indicators for any regular or off-cycle advance requests has been included in the Disbursement and Financial Information Letter (DFIL). **Proposed Interim Supplementary Indicators:** 1) Contributing to UN Basic Human Needs Indicator 2.1: Percentage of female beneficiaries reached with basic human needs assistance disaggregated by type of service/sector, and women-headed households; 2) Contributing to UN Basic Human Needs Indicator 3.1: Percentage of women-led organizations who confirm that they were consulted in developing/implementing/monitoring the basic needs programming.

77. **Project Operations Manual:** The POM for both AKF and UNOPS will specify the mechanics of how the release of advance requests is linked with reporting on the PDO and Interim indicators to the Bank, including having discussions with the Bank, AKF and UNOPS related to any deviation from, or missing achieving of targets for the indicators.

(ii) Procurement

78. **For Components 1 and 3, AKF will follow World Bank procurement procedures:** Procurement under the project will be carried out in accordance with the World Bank's Procurement Regulations for Investment Project Financing Borrowers for Goods, Works, Non-Consulting, and Consulting Services, fourth edition, dated November 2020 (hereinafter referred to as the 'Procurement Regulations'). The project will be subject to the World Bank's Anticorruption Guidelines, dated October 15, 2006, revised in January 2011, and as of July 1, 2016.

79. **Project Implementation Unit (PIU) and PIEs:** AKF-AFG and Other NGOs to be engaged as PIEs will carry out procurement for their respective sub-projects and activities. AKF-USA's Finance and Administration Unit will establish a PIU in Kabul dedicated to the project. The PIU will be responsible for overseeing, planning, coordinating, and assisting the PIEs in carrying out the procurement. The PIU and PIEs will be supported by national procurement experts to be hired and will be financed by the project. The selection process of all the procurement experts will be subject to prior review by the Bank. Bank will assess other aspects of the PIEs' procurement capacity once they have been identified. The PIU will prepare sample procurement documents and provide procurement training and knowledge sharing to the PIEs. Key items of equipment/materials, such as solar-powered pumps, if they are not obtainable from the market of Afghanistan with the required specifications, quality, and quantities as required for the project to achieve the development objectives, shall be procured centrally by the PIU and distributed to the PIEs. Full details of the procurement process (including evaluation) will be described in the POM to be prepared by the AKF-USA and agreed upon by the Bank.

80. For open international procurement, the World Bank's Standard Procurement Documents shall be used. For national open competition, agreed Sample Procurement Documents shall be used. All procurement under the project will be conducted in accordance with the Procurement Plan approved by the Bank.

81. **For Component 2, UNOPS will follow its procurement rules and procedures under Alternative Procurement Arrangements (APA) envisaged by the Bank's Procurement Policy for Procurement in Investment Project Financing and Other Operational Procurement Matters.** UNOPS will set up and maintain a procurement team for the project within its office in Kabul, which will be led by an international procurement specialist who will be supported by one national procurement specialist and one international grant management specialist to carry out the day-to-day implementation of procurement activities. UNOPS will be responsible for (i) implementing a procurement plan as agreed with the Bank; (ii) preparing a quarterly report on the progress of procurement implementation; (iii) providing other relevant performance information to the Bank, as requested; and (v) ensuring pre-screening of companies/individuals before award of any contract financed by the project against the Bank's lists of sanctioned or suspended firms and individuals. The World Bank reviewed and approved the use of the UNOPS Procurement procedure as an APA under the project on June 12, 2023.

82. The overall procurement risk under the project was assessed as "**High**" and residual risk after implementing the mitigation measures will be "**Substantial**".

C. Legal Operational Policies

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

83. **Waiver of Application of the Anti-Corruption Guidelines (ACGs) to UNOPS:** A waiver of the application of

the World Bank's ACGs to UNOPS was approved on May 24, 2023, for the proposed project pursuant to the Bank policy and procedures for Operational Policy Waivers. To ensure appropriate adherence to the principles of the ACGs, including due diligence and monitoring of fraud and corruption, UNOPS will use their own procedures for fraud and corruption, based on a special purpose procedure for fraud and corruption under alternative arrangements modeled on the integrity provisions of the WB – UN FPA, to which UNOPS is a party.

84. OP 7.50 is applicable to this Project because the Project will finance activities that may use or risk polluting waters of the Amu Darya River, Harirud-Murghab River, Helmand River, and Kabul River and/or their tributaries, which are considered international waterways. The exception to the riparian notification requirement, according to paragraph 7(a) of the Policy, applies because activities are limited to upgrading and modernization of existing, small-scale schemes, which will not cause change in the existing use of water or in water quality. The exception to the notification requirement was approved on May 18, 2023.

D. Environmental and Social

85. **The overall environmental risks and impacts of the project investments are expected to be largely positive, providing safe drinking water for schools and health facilities in rural areas.** Some potential adverse environmental risks and impacts could be mainly construction related and may include: (i) generation of dust, noise, debris, waste products and vibrations at project sites; (ii) potential water pollution by increased sedimentation, oil spills, and camp sites close to canals, by returning polluted water from excessive use of fertilizers, etc.; (iii) soil erosion and sedimentation in case of unplanned withdrawal of construction materials from fragile hilly and denuded upper areas; (iv) destabilization of river beds by extraction of sand and gravel in critical places damaging nearby bridges and agricultural lands, (v) improper site restoration of borrow pits, extraction of construction materials, camp sites (etc.) after completion of civil works; (vi) occupational health and safety issues of workers, due to exposure to hazardous chemicals and poor working conditions; and (vii) potential electronic waste pollution due to inappropriate disposal of waste after solar energy installations. Opening new wells without proper water quality assessment could potentially lead to arsenic poisoning and the spread of other water borne diseases. Based on the assessed risks and impacts described and the lack of enforcement of the country framework on Environmental and Social risks regulations, the project environmental risk classification is **“Substantial”** as per the WB Environmental and Social Framework (ESF) risk classification.

86. The social risk rating is **substantial** considering the risk of exclusion of vulnerable groups from accessing safe water and sanitation facilities, management of local expectations around receipt of jobs in the project, the capacity of implementing entity and partners (IE&P) is limited in reference to ESF, and the risk of resistance from ITA on women engagement in the participatory planning, design, and implementation process. Other potential social risks are related to sexual exploitation and abuse and sexual harassment (SEA/SH), risk of non-compliance with labor and working conditions requirements, including supply chain-related project risks. The installation of solar panels will also lead to a modest labor influx, as skilled labor cannot be fully supplied locally. Threats to human security through the escalation of personal, communal conflict, crime, or violence is also important contextual risk that may affect the safety of workers and beneficiaries. The allegations of forced labor risks associated with the polysilicon suppliers, as component 2 will involve installing solar-powered water pump systems. Regarding this matter, the UNOPS will require private sector companies to provide two declarations: a Forced Labor Performance Declaration (which covers past performance) and a Forced Labor Declaration (which covers future commitments to prevent, monitor, and report on any forced labor, cascading the requirements to their own suppliers). In addition, the relevant grant recipient will include enhanced language on forced labor in the procurement contracts. The WERP was assessed using the civil works tool and was found to have moderate Sexual Exploitation, Abuse, and Sexual Harassment (SEA/SH) risk rating. It is likely that the activities related to the provision of water and sanitation services in identified rural areas may induce SEA/SH risks.

87. The grant recipients (AKF-USA & UNOPS) will develop a stand-alone SEA/SH action plan in consultation

with key stakeholders, and women's organizations. Project staff will be trained on the behavioral obligations under the employees' Code of Conduct (CoC) and SEA/SH action plan implementation. The grant recipients will establish dedicated GRCs for handling GBV, SEA, or SH cases through a survivor-centered approach. To mitigate these E&S risks a Preliminary Stakeholder Engagement Plan (SEP), Environmental and Social Commitment Plans (ESCPs) have been prepared and disclosed by Appraisal. The grant recipients have prepared separate ESCPs for their respective components. The Environmental and Social Management Framework (ESMF) will include Labor Management Procedures (LMP), Pest management Plan (PMP), Integrated Pest Management (IPM) approach, Voluntary Land Donation (VLD) Guidelines as the Project will use land that is voluntarily donated and other associated plans. The ESMF will provide guidance and templates for the preparation of the site-specific screening instruments and tools such as ESMPs, and approaches to address the risk of SEA/SH by incorporating prevention and mitigation measures in the site-specific instruments, including bidding and contract documents. The ESMF, ESCPs and SEP documents will include plans for capacity strengthening, E&S due diligence, frequency of monitoring and reporting of mitigation measures, and other measures to meet the ESF requirements and have been summarized and highlighted in the agreed upon ESCPs. The ESMF, ESCPs, SEP, and LMP will be publicly disclosed on the relevant UNOPS, AKF, and World Bank websites, and in relevant places, their hard copies will be available to CDCs, NGOs' and contractors' staff. A non-disclosable standalone security risk management plan, based on the UNSMS (applicable to UNOPS) and good international industry practice and consistent with the ESF, will be prepared before the commencement of project activities.

88. Institutional arrangements and capacity to implement the ESF. AKF-USA will be implementing Components 1 and 3 of the projects through four PIEs, i.e., AKF-Afghanistan and three other NGOs. The AKF and UNOPS will each prioritize hiring one environmental specialist, one social development specialist, one GRM Officer, one Gender and SEAH Specialist, and one security risk management specialist dedicated to manage E&S risks. UNOPS has experience implementing the ESF in Afghanistan and are currently implementing the CRLP. Given the multiple parties who will be engaged in the project, AKF and UNOPS will adopt a cascading strategy of the ESF requirements, and this will include provisions for implementing partners (contractors, NGOs, CDCs, PESCs, etc.) to appoint focal persons for E&S depending on the aspect of the project activities being implemented by the relevant partners. UNOPS and AKF will also cascade security risk management measures to ensure consistency with ESS1 (Assessment and Management of Environmental and Social Risks and Impacts) and ESS4 (Community Health and Safety).

89. Citizen engagement. The Preliminary SEP, which will be subject to stakeholder consultation and updating after the effectiveness date, provides guidance on citizen engagement. Two different sets of GRMs will be implemented for this project. AKF will set up and implement a three-tier GRM system (with separate GRCs at national and regional levels) for Component 1 and Component 3 activities, and UNOPS will implement a three-tier GRM (with separate national and regional level GRCs) specifically for Component 2 activities. Both organizations already have functional GRMs in place in various projects in Afghanistan and will continue with systems already in place. The AKF and UNOPS will extend the existing GRM in the target provinces. The Project Result Framework includes one Citizen Engagement (CE) Indicator. During the implementation stage, it is envisioned that the AKF and UNOPS will carry out beneficiary satisfaction surveys in the selected areas to evaluate stakeholders.

E. Gender

90. The project aims to narrow the gender gaps in the sector and meaningfully engage women in implementing the project. Women and girls are the primary collectors of water in Afghanistan, and thus lack of access to safe water collection points affects them disproportionately. Their time spent on water collection and other drudgery work interferes with school attendance and engagement in income-generating activities. Girls and women also experience physical and social risks associated with water collection. They are subject to harassment and violence when traveling long distances to collect water, which is increasing due to the ITA restrictions on women's movements. In the Badghis province, up to 38 percent of female household members

reported that women and girls who feel unsafe in their area also feel unsafe accessing water. Afghan women are primarily responsible for family and child health and household food production. They are often responsible for assessing whether water is safe for household consumption and caring for sick family members. Yet, they lack information on whether water is safe and managing water-borne illnesses. Unsafe water also disproportionately affects girls' access to education and women's health; inadequate WASH in schools is a barrier to girls' attendance, and recent research in Afghanistan suggests that poor water conditions are associated with higher maternal mortality. Female farmers (mainly female heads of household) are disadvantaged compared to men because they have less access to irrigated land, agriculture inputs, and extension services, resulting in disproportionately high food insecurity. Lastly, women are also disadvantaged in governance structures and in technical and managerial positions within the water sector that influence the distribution of water services.

91. The project will address these gaps under component 1 by engaging women through CDCs, a good platform for women's participation (at least 40 percent of CDC members are female) in decision-making, particularly in selecting points for water wells and pumps. The project will coordinate with the CRLP to work in communities where women are not prohibited from participating in CDCs. The project will provide safe drinking water and WASH improvements to health facilities and schools (such as ensuring proximity of safe water, construction of gender-segregated latrines in schools and community health facilities where required, proper locks, waste disposal, privacy and lighting for girls' and women's sanitation). Furthermore, the project will address inequalities in access to information by conducting awareness-raising campaigns on sound water management practices, hygiene, and well-being, focusing on women and female students. The project will coordinate with HER female community health workers (nutrition counselors, nurses, midwives) to deliver training to women; at least 50 percent of trainees will be female. Under component 2, the project will prioritize the engagement of PESCs with the largest shares of women in technical and managerial positions and will improve access to irrigation for female-headed farming households in project areas. FHHs will be engaged in the project through participatory approaches using the vulnerability-based criteria that the community development councils apply. Building on the success of women's participation under the Afghanistan Food Security Emergency Project (P178280) and On-Farm Water Management Project (P120398), this Project will leverage existing female community development council members and female extension workers to engage with the targeted female farmers.

92. The indicators to measure the progress towards these gender-related interventions are (i) number of people provided with access to safe drinking water sources, of which female (target 50 percent); (ii) percentage of farmers gaining access to improved irrigation water services, of which female-headed households (to be quantified after the inception phase) and (iii) Number of people provided with training on water conservation and WASH awareness campaigns, of which female (target of 40 percent female trainees).

V. GRIEVANCE REDRESS SERVICES

93. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the

Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>

VI. KEY RISKS

94. **The overall risk rating of the Project is Substantial.** Below is a brief description of the critical risks and mitigation measures.

95. **Political and governance risks are High.** They include the risk of political interference in project activities and the control of geographical areas by different political or armed factions, which could lead to interference and inadequate targeting of vulnerable people. Key mitigation measures include working with politically neutral implementing partners and using remote project supervision arrangements to mitigate potential interference by the ITA (Table 6).

Table 6. Possible touch points with the ITA and measures to mitigate them

Possible touch points and potential risks	Mitigation measures
Allowing women to work and accessing women in communities	AKF-USA, PIEs, UNOPS and CDCs are negotiating conditions under which women can participate in the Project.
Recruitment of Project staff	AKF-USA, PIEs, and UNOPS will manage staff recruitment in line with their established practices in the environment.
Contract management/procurement	AKF-USA, PIEs and UNOPS will manage procurement of their respective components. The ARTF MA will verify as per the terms of reference.
Selection of Project activities	AKF-USA, PIEs, UNOPS and CDCs will help identify, manage, and monitor Project activities. The ARTF MA will verify as per the terms of reference.
Selection of beneficiaries	AKF-USA, PIEs, UNOPS, and CDCs will help identify the most vulnerable people for assistance. The World Bank will provide oversight. The ARTF monitoring agent will verify, per the TOR.
Monitoring of activities	The ARTF monitoring agent is responsible for monitoring, in collaboration with the World Bank.

96. **Macroeconomic risk is High.** The project is exposed to high macroeconomic risks. These include (i) the potential discontinuation of or reduction in aid due to fiscal pressures in donor economies and potential donor fatigue; (ii) the stoppage of US\$ cash shipments, which could undermine exchange rate stability and reverse the anemic recovery in some indicators; (iii) potential stability concerns in the banking sector due to payment resolution challenges and an unmanaged transition to Islamic banking; and (iv) the impact of potential climate events, such as droughts. As described above, the country received substantial off-budget aid for humanitarian assistance and basic service delivery (estimated at US\$2 billion, including US\$1.2 billion through direct cash shipments). The marginal improvements observed recently in business sentiment, household welfare, and private-sector business operations depend on the continuation of current levels of off-budget aid. Any disruption or decline in aid will risk an immediate reversal in sentiment. Similarly, the cessation of UN cash shipments will

aggravate the liquidity condition of hard currency for needed imports. It may cause a sharp depreciation in the AFN, posing potential downsides in an environment already marked by high inflation.

97. **Sector strategies and policies risks are Substantial.** Sector priorities have shifted and may be revised again depending on the situation in the country, adding to sectoral volatility. These risks will be mitigated through stronger coordination across interventions, partners, CDCs and communities to strengthen rural household resilience to droughts. Additionally, Component 3 activities would help strengthen sector knowledge and public awareness on hygiene and water management at local and grassroots level, which should influence the local decision-makers.

98. **Institutional capacity for implementation and sustainability risks are Substantial.** The project involves many parties, especially international and local NGOs that have limited experience implementing Bank projects. There is a critical need for coordination among the parties on implementation, data collection, and M&E. To mitigate these risks, AKF and UNOPS will leverage their existing institutional arrangements with partners. Works on the rehabilitation of rural water supply and the installation of solar water pumps will be carried out by external contractors hired and supervised by AKF and PIEs. These works will be planned and executed in close coordination with communities and *Mirabs*. UNOPS will work through the private sector to procure solar water pumps in Afghanistan, which will be needed for sustained irrigation water supply beyond the drought emergency.

99. **Technical design of the Project or Program risks are Substantial.** This multi-sector emergency project covers both drinking water and irrigation water supply and will be implemented by two groups of implementing agencies. Considering the complexity of the project, the number of sub-sectors, and geographical coverage, the technical design of the project could become complex. To mitigate this risk, the project includes a six-month inception period. During the inception phase, activities will be identified in consultation with the communities to verify their technical viability and readiness. Available documents such as feasibility study and designs will be reviewed to confirm technical and financial soundness.

100. **Environmental and social (E&S) risks are Substantial.** The main risks relate to the nature of project activities, the FCV context, and the capacity of AKF and PIEs to manage such risks. Mitigation measures are detailed in the ESCP and the SEP and will be covered in the ESMF.

101. **Stakeholder risks are Substantial.** The main risks are associated with the varied levels of access to information among the population to ensure their engagement in project activities. The Project will include extensive communication and awareness campaigns to the population to mitigate this risk.

102. **Fiduciary risks are Substantial.** The residual Fiduciary risks are considered substantial and result from the agreed project processes, including the charging of the staff costs to the project based on the inputs to the project, liquidity, Anti-Money Laundering, and Countering Financing of Terrorism risks (AML/CFTs), risks of potential non-compliance with financial management requirements by the PIEs to be hired by the AKF, a major risk is the absence of a tailored management information system (MIS) to record, track and report sub-projects expenditures, and potential lack of monitoring by an independent MA. The procurement risks include implementation delays due to the lack of knowledge and experience of AKF-USA staff responsible for procurement with World Bank's Procurement Regulations and the risk that UNOPS will not have sufficient procurement staff to cope with the new scope of work.

103. The project design includes measures to mitigate the identified fiduciary risks, including prior approval of staffing list (and individual procurement staff) and salary cost charging mechanism, development of an implementation manual providing an overall control framework of the project, conducting due diligence of the PIEs, including the consideration of AML/CFT measures, development of management information systems to record, track and report sub-projects and PIEs related expenditures, and engagement of the ARTF MA in financial and physical monitoring of the project activities. AKF-USA will hire sufficient qualified national procurement staff

familiar/having experience with the procurement procedure under the bank's financed projects for Components 1 and 3. In addition, in line with the provision of 3.10 of the Procurement Regulations the Bank will provide Hands-on Expanded Implementation Support (HEIS) for components 1 & 3. UNOPS will hire national and international procurement experts.

104. **Other risks are Substantial.** They include risks related to the lack of an official counterpart and the discriminating bans of the ITA challenging the ability of UN and INGOs to work in Afghanistan. If the situation changes, local implementing partners will follow the business continuity plan for Project implementation as much as feasible. A key mitigation measure includes establishing clear mechanisms to identify security threats to the project and to communicate changes in threat levels to the parties involved in the project implementation.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework COUNTRY: Afghanistan Water Emergency Relief Project

Project Development Objectives(s)

Improve access to safe drinking water and irrigation water services in selected rural areas

Project Development Objective Indicators

Indicator Name	PBC	Baseline	End Target
Improve access to safe drinking water in selected rural areas			
People provided with access to safe drinking water services/of which are females (Number)		0.00	1,226,880.00
Of which female (Number)		0.00	613,440.00
Percentage of water sampled that complies with WHO standards for biological and physical quality (Percentage)		0.00	80.00
Improve access to irrigation water services in selected rural areas			
Number of farmers gaining access to irrigation water services/of which are females (Text)		0.00	To be quantified within 45 days upon completion of the inception period
Of which are females (Text)		0.00	To be quantified within 45 days upon completion of the inception period



Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Component 1: Provision of emergency water supply in identified rural areas			
Number of new constructed water points and schemes/ networks (Number)		0.00	10,224.00
Contribution to UN Basic Human Needs Indicator 2.1 (Percentage)		0.00	50.00
Number of rehabilitated water points and schemes/networks (Number)		0.00	15,226.00
Number of latrines constructed at health/schools and public centers (Number)		0.00	42,873.00
Component 2. Improved surface water irrigation using solar technologies in selected rural areas			
Private energy service companies engaged in new operations and maintenance contracts in the water sector in drought-affected regions (Number)		0.00	4.00
Contribution to UN Basic Human Needs Indicator 3.1 (Percentage)		0.00	40.00
Component 3. Technical training and public awareness campaigns			
Number of people trained with water conservation and WASH awareness campaign (Number)		0.00	204,480.00
Of which female (Number)		0.00	102,240.00
Number of local authorities, CDC members, faculty students (interns) and water technical people trained (Number)		0.00	2,400.00



Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
People provided with access to safe drinking water services/of which are females	The number of beneficiaries receiving access to safe water sources in Component 1. Safe drinking water services is defined as drinking water from an improved source within no more than 30 minutes of roundtrip collection time and is free from fecal and priority chemical contamination.	Quarterly progress reports, Semi-annual Implementation Status and Results reports (ISR)	Project MIS. Data will be validated by Monitoring Agent.	AKF PIU and PIEs are responsible for data collection. AKF-PIU then report to the World Bank.	AKF PIU and PIEs. Monitoring Agent will independently verify.
Of which female	Same as parent indicator.	Same as parent indicator	Same as parent indicator	Same as parent indicator	Same as parent indicator
Percentage of water sampled that complies with WHO standards for biological and physical quality	Percentage of water supplied that complies with WHO standards for biological and physical quality under Component 1. The target is set at 80 percent of the value to take into account concerns regarding security, access, and the quality of existing water sources.	Project MIS. Data will be validated by Monitoring Agent.	Project MIS. Data will be validated by Monitoring Agent.	AKF-PIU and PIEs to collect data. AKF-PIU to report to the World Bank.	AKF and implementation partners to collect. Monitoring agent will independently verify.
Number of farmers gaining access to	The number of farmers	Quarterly	Project MIS.	PESCs and communities	PESCs and communities



irrigation water services/of which are females	benefitted from irrigation water access through pumps powered by solar panels. Improved irrigation water services refer to improved access to surface water for irrigation purpose that have been carried out through operations supported by the World Bank. The quantitative target will be set within 45 days upon completion of the inception phase.	progress reports, Semi-annual ISRs	Data will be validated by Monitoring Agent.	are responsible for providing data to UNOPS. UNOPS to report to the World Bank.	to UNOPS. Monitoring Agent will independently verify.
Of which are females	Same as parent indicator	Same as parent indicator	Same as parent indicator	Same as parent indicator	Same as parent indicator

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of new constructed water points and schemes/ networks	Number of new wells/boreholes/water schemes equipped with handpump or solar powered pumps and number of rehabilitated water systems and networks under Component 1. The target is	Quarterly progress reports, Semi-annual ISRs	Project MIS. Data will be validated by Monitoring Agent.	AKF-PIU and PIEs to provide data. AKF-PIU to report to the World Bank.	AKF-PIU and PIEs to collect data. Monitoring Agent will independently verify.



	set at approximately 80 percent of the value.				
Contribution to UN Basic Human Needs Indicator 2.1	Contributing to UN Basic Human Needs Indicator 2.1: percent of female beneficiaries reached with basic human needs assistance disaggregated by type of service/sector/ women HH	At IFR submission	AKF-USA report, Monitoring Agent Report	Field data collection by PIEs, submitted to AKF-USA. Filed data collection by the Project Monitoring Agent, reported to WB and AKF-USA.	AKF-USA
Number of rehabilitated water points and schemes/networks	Number of wells, boreholes, water schemes equipped with handpump, or solar powered pumps rehabilitated water systems and networks under Component 1.	Quarterly progress reports, Semi-annual ISRs	Project MIS. Data will be validated by Monitoring Agent.	Provincial Offices Monitoring Reports PIU Monitoring Reports	PIU and PIEs
Number of latrines constructed at health/schools and public centers	Number of Latrines constructed at the communities, schools and health services centers. The target is set approximately 80 percent of the value.	Quarterly progress reports, Semi-annual ISRs	Project MIS. Data will be validated by Monitoring Agent.	AKF-PIU and PIEs to provide data. AKF PIU to report to the World Bank.	AKF-PIU and PIEs to collect data. Monitoring Agent will independently verify.
Private energy service companies engaged in new operations and maintenance contracts in the water sector in drought-affected regions	Number of private energy service companies engaged under Component 2 to install and maintain solar water pumps.	Quarterly progress reports, Semi-annual ISRs	Project MIS. Data will be validated by Monitoring Agent.	UNOPS to report to the World Bank.	UNOPS to collect data. Monitoring Agent will independently verify.
Contribution to UN Basic Human Needs Indicator 3.1	Percentage of women led organizations who confirm that they were consulted in	At submission of IFR	UNOPS and Monitoring Agent	Data collection by UNOPS and Monitoring Agent	UNOPS



	developing/implementing/ monitoring the basic needs programming.		reports		
Number of people trained with water conservation and WASH awareness campain	The number of people that received training on water conservation and WASH awareness campaign under component 3. The target is set at approximately 80 percent of the value.	Quarterly progress reports, Semi- annual ISRs	Project MIS. Data will be validated by Monitoring Agent.	AKF-PIU and PIEs will provide data. AKF- PIU to report to the World Bank.	AKF-PIU and PIEs to collect data. Monitoring Agent will independently verify.
Of which female	Same as parent indicator	Same as parent indicator	Same as parent indicator	Same as parent indicator	Same as parent indicator
Number of local authorities, CDC members, faculty students (interns) and water technical people trained	Number of Local authorities, CDC members, faculty students (interns) and water technical people trained on water supply, sanitation projects community empowerment, decision making, planning, and monitoring briefing, skills, knowledge and awareness under component 3. The target is set at approximately 80 percent of the value.	Quarterly progress reports, Semi- annual Implement ation Status and Results reports (ISR)	Project MIS. Data will be validated by Monitoring Agent.	AKF-PIU and PIEs are responsible for data collection. AKF- PIU then report to the World Bank.	AKF-PIU and PIEs to collect. Monitoring agent will independently verify.





ANNEX: Afghanistan Water Emergency Relief Project

I. Project Institutional and Implementation Arrangements

1. **AKF-USA will lead the project implementation for Component 1 and 3 while UNOPS will lead the project implementation for Component 2.** AKF-USA and UNOPS will be responsible for the following functions with their respective components: (i) overall coordination; (ii) fiduciary arrangements; (iii) engagement with communities; (iv) safeguards management; (v) quality assurance; (vi) monitoring and reporting; and (vii) management of technical assistance activities. AKF-USA and UNOPS will each establish a PIU to coordinate implementation. Both PIUs will include staff supporting several key functions: project management and coordination among PIEs, FM, procurement, community mobilization and training, reporting, M&E, field coordination, gender, grievance redress, and E&S risk management. The PIUs will be established within two months (2) of effectiveness.

2. **AKF-USA will engage AKF-Afghanistan and three NGOs as PIEs; UNOPS will engage PESCs as subgrantees to deliver project activities to targeted communities.** Selected PIEs will have responsibilities that include but are not limited to (a) identifying and mobilizing target beneficiaries, (b) delivering production inputs and advisory/training support, (c) providing emergency drinking water and irrigation water interventions and installing solar pumps, and (d) coordinating cash payments.

3. **AKF-USA and UNOPS will be responsible for monitoring the activities implemented by the PIEs and PESCs and reporting on their progress.** They will ensure that the PIEs and PESCs are properly trained on implementation arrangements, project design, and approach and work closely with CDCs and targeted communities. The POM will elaborate the operating principles and procedures in detail.

Financial Management and Disbursement

4. **AKF-USA and UNOPS will have overall responsibility for the Project's FM for their respective components.** The AKF-USA will establish a PIU in Afghanistan and will sign subsidiary agreements with the AKF-Afghanistan and up to three NGOs. The AKF PIU will maintain separate ledgers on an accrual basis to record project-related receipts and payments in compliance with the International Financial Reporting Standards (IFRS). Similarly, UNOPS will also establish a PIU based in Kabul, which will manage the day-to-day implementation of the project. The FM arrangements will be governed by the FMFA, which provides for the use of the UNs' financial regulations.

Procurement

5. AKF-USA will oversee, plan, coordinate, and assist in carrying out the procurement activities for Components 1 and 3 under the Project and follow World Bank procurement procedures and UNOPS will have the overall procurement responsibility for Component 2 of the Project and follow an alternative procurement approach when implementing Component 2.

Environmental and social instruments

6. **AKF-USA will be responsible for implementing the E&S instruments of Components 1 and 3; UNOPS will be responsible for implementing the E&S instruments for Component 2.** Both PIUs will comprise adequate numbers of experts, each with a TOR, qualifications, and experience to be agreed to by the World Bank. Both PIUs



will include E&S staff to supervise implementation of corresponding instruments by implementing partners (such as international and local NGOs, private energy service providers, and contractors). The project will be implemented in accordance with the World Bank's E&S policies and procedures, relevant commitments in the Grant Agreement, and the ESCP (which includes the ESSs), in a manner acceptable to the World Bank. AKF and UNOPS will ensure cascading responsibility of substantive E&S requirements, as reflected in the ESCP and ESMF, through relevant contractual provisions with contractors and other implementing partners. It will train the staff of implementing partner organizations, as specified in the ESCP and the ESMF. AKF-USA, PIEs, and UNOPS will work closely with local communities, which will facilitate the role played by CDCs.

World Bank Implementation Support

7. The World Bank will conduct quarterly virtual implementation support missions to (a) review implementation progress and achievement of the PDOs and intermediate indicators, (b) provide support for implementation issues that arise, (c) provide technical support related to project implementation and achievement of results, and (d) discuss relevant risks and mitigation measures. Its team will conduct bi-weekly progress monitoring meetings and quarterly missions to assess progress and address implementation bottlenecks.

II. Technical Assessment

(i) Component 1 – Context: Safe Drinking Water

8. **Safe water supply, access to sanitation facilities and hygiene practices are key determinants of health.** Given the needs and considering the achievements and results from the previously implemented interventions financed largely through humanitarian assistance funding, AKDN in close coordination with national and provincial stakeholders involved in supporting and implementation of WASH activities will expand community-led water and sanitation activities in the program areas prioritized under this project. Water and sanitation activities will follow sound environmental practices and will ensure adherence to standards that contribute to health benefits and mitigate negative environmental effects.

9. **In reference to the report released by UNICEF (*Afghanistan WASH on the Brink, 2022*), the vast majority of people in Afghanistan drink unsafe water,** often contaminated by sewage and deadly pathogens, access to safe sanitation and hygiene, including basic toilets and handwashing supplies is limited. The consequences for children are devastating, impacting not only their health and development, but also their nutrition, education, protection, and their survival. The report reveals that 8 out of every 10 Afghan people drink unsafe water, 5 out of every 10 Afghan people don't have access to at least basic sanitation facilities, nearly 4.2 million people practice open defecation, around 94 percent of schools across Afghanistan lack access to basic handwashing facilities and around 35 percent of healthcare facilities lack access to at least basic drinking water supply.

10. **Clean water, basic toilets and good hygiene practices are essential for survival.** In Afghanistan, diarrheal diseases are the second most common cause of death for children under the age of five, after acute respiratory infections. The 2022 Humanitarian Response Plan projected that 15.1 million people need WASH services in Afghanistan. The unmet drinking water needs and limited water for handwashing were enormous in 2021, due to severity and geographic extent of the drought (two-thirds of the country) causing a drop of both water quantity and quality and creating AWD outbreaks with cholera cases reported. The WHO infectious disease situation report released by October 29, 2022, reveals 209,055 Acute Watery Diarrhea (AWD) cases including 74 deaths at country level covering the period from May to October 2022. The maternity mortality ratio is 638 per 100,000 live births. 20 percent of women gave birth below the age of 18. 62 percent of deliveries were attended by skilled health personnel. 28 percent of women (aged 15-49 years) attended at least four antenatal care visits during pregnancy,



37 percent of mothers received postnatal care within two days of giving birth, and 19 percent of newborns had post-natal care within two days of delivery.

11. **Access to water in the 16 targeted provinces is very low.** The Humanitarian Situation Monitoring (HSM) round two report released in September 2022 indicates that on average, 21 percent of the households in the settlement areas of 16 targeted provinces under this project have access to water within 500 meters, 45 percent of households have inadequate water sources and 39 percent of the water sources have dried up (See Table 1).

Table 1: Access to water in 16 targeted provinces (HSM Report 2022)

	Province	Percent of households in the settlement have access to water within 500 meters (percent)	Inadequate water sources (percent)	Water sources have dried up (percent)
1	Badakhshan	20	36	33
2	Baghlan	23	43	14
3	Samangan	18	72	25
4	Balkh	23	23	45
5	Jawzjan	12	60	36
6	Faryab	21	58	42
7	Saripul	45	34	70
8	Bamyan	10	52	38
9	Hirat	10	41	26
10	Badghis	36	68	38
11	Ghor	41	79	64
12	Farah	12	19	55
13	Nimroz	10	41	46
14	Parwan	29	59	49
15	Panjshir	10	21	22
16	Takhar	19	23	12
	Average	21	45	39

12. **Contaminated water and poor sanitation are linked to transmission of diseases such as cholera, diarrhea, dysentery, hepatitis A, typhoid and polio.** Absent, inadequate, or inappropriately managed water and sanitation services expose individuals to preventable health risks. This is particularly the case in health care facilities where both patients and staff are placed at additional risk of infection and disease when water, sanitation and hygiene services are lacking. HeRAMS (Health Resources and Service Availability Monitoring System) Afghanistan baseline report released by WHO in March 2022 regarding operational status of the health system reveals that out of 2724 health facilities assessed for availability of water, only 78 percent of the health facilities had water available, 517 health facilities (19 percent) had partially water available, and 81 health facilities (3 percent) had no available, with the main reason of lack of equipment, financial resources, and supplies.

Table 2: Percent of gender-sensitive health facilities with availability of water (HeRAMS March 2022)

#	Province	Percent of HF where water is available	Priority
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1	Badakhshan	93	3
2	Baghlan	96	3
3	Samangan	31	1
4	Balkh	93	3
5	Jawzjan	33	1
6	Faryab	32	1
7	SariPul	77	2
8	Bamyan	99	3
9	Herat	86	3
10	Badghis	93	3
11	Ghor	20	1
12	Farah	16	1
13	Nimroz	92	3
14	Parwan	98	3
15	Panjshir	62	2
16	Takhar	89	3

(ii) Component 1 – Context: Provision of Hygiene Supplies and Awareness

13. **Almost a quarter of health facilities have limited to no access to water.** The HeRAMS (Health Resources and Service Availability Monitoring System) Afghanistan baseline report released by WHO in March 2022 reveals that out of 2,724 health facilities assessed for availability of water, only 78 percent of the health facilities had water available, 517 health facilities (19 percent) had partially water available, and 81 health facilities (3 percent) had no water available, with the main reason being lack of equipment, financial resources, and supplies (see **Error! Reference source not found.**).

Table 3: Health facilities' availability of water (HSM Report 2022)

#	Province	Percent of HF where sanitation facility is available	Percent of HF with hand hygiene facility	Priority
1	Badakhshan	95	97	3
2	Baghlan	98	99	3
3	Samangan	29	36	1
4	Balkh	98	99	3
5	Jawzjan	8	13	1
6	Faryab	25	68	1
7	SariPul	59	67	2
8	Bamyan	99	99	3
9	Herat	98	99	3
10	Badghis	82	72	3
11	Ghor	18	22	1
12	Farah	5	8	1
13	Nimroz	92	96	3
14	Parwan	96	93	3



15	Panjshir	67	67	2
16	Takhar	80	92	3

14. **There are many schools with poor water quality, sanitation, and hygiene facilities in Afghanistan.** A healthy and clean school environment coupled with information about proper hygiene encourages students to stay in school and motivates them to develop sound hygiene practices that they can also share with their families. One of the most effective ways to save children's lives is by teaching them proper hygiene practices, especially regular handwashing with soap and water, and guaranteeing them clean drinking water and adequate sanitation. Both will be key activities addressed under this project.

15. **AKF and its sister agencies have extensive experience developing and implementing health promotion initiatives that build community capacity to protect and enhance individuals' health.** AKDN's five-year strategic plan (2016–20)—the Health Action Plan for Afghanistan—consolidated this experience and developed a comprehensive health promotion concept model with a focus on communicable diseases, nutrition, and maternal and child health; it addressed the direct and underlying causes of poor health outcomes. The plan included education materials and strategies to increase access to health services, health knowledge, agency to act on health knowledge, and decision making in households and communities. This model seeks to involve and empower a range of local stakeholders, including women and women's committees, through training that targets community members' awareness, attitudes, and practices and encourages the initiation of community-driven health promotion activities. The model takes a comprehensive approach to well-being by including health, nutrition, hygiene, and environmental issues. Community health promotion leaders are sought from a variety of community forums, including women's community-based savings groups, adult literacy classes, Community Health Workers (CHWs), and women's subcommittees within CDCs. Because women may have limited decision-making power within households, men in the community are also targeted for health information and behavior change communication on health and hygiene practices included in household visits and health education sessions with CHWs, family health action groups, CDCs, and other community-based platforms.

16. **For the purpose of diarrheal disease reduction, community awareness regarding water born disease, use of safe drinking water, safe water storage to prevent contamination, importance of handwashing using soap and maintain proper hygiene will be conducted at community/household and school level with a focus on female beneficiaries.**

(iii) Component 1 – Activities

17. **Activity 1.1: Implementation of a needs assessment and the mapping of priority areas in need of safe drinking water.** AKF, in close coordination with its partners and local/provincial stakeholders, will review the list of 120 districts in the 16 targeted provinces preliminary identified as target areas in need of WASH interventions under this project in order to (a) coordinate interventions at the provincial level, (b) prevent overlap of resources and bring synergy in the implementation of similar interventions at the provincial level, and (c) identify priority areas/villages for construction of water resources and rehabilitation of nonfunctional water points. This review of targeted districts will be conducted through provincial-level coordination meetings and consultation with community leaders and other influential figures. AKF and its partners' technical teams, including WASH experts and WASH engineers based in provincial/regional offices, will develop a checklist and visit areas to assess the situation, identifying needs, type of water resources needed, and sites for construction/rehabilitation of water sources and estimating costs. All processes will be fully aligned with national guidelines and protocols. The assessment, site selection, monitoring, and utilization of the water points will be closely coordinated with stakeholders in the targeted provinces.



18. **Activity 1.2: Drilling of new wells/boreholes (equipped with handpumps and solar-powered pumps) and rehabilitation of water systems and networks at the community, health facility and school levels.** Following district-level technical assessments by AKF and its partners, 10,224 new wells/boreholes equipped with handpumps or solar-powered pumps will be constructed and 15,226 water systems and networks rehabilitated. This activity is projected to benefit 1,226,880 people, half of them women.

Table 4: Estimated Component 1 new and rehabilitated water system interventions

Intervention	Target	Remarks
Drilling of new wells/boreholes/water schemes (equipped with handpump/solar powered pumps)	10,224	Numbers are subjected to change after detailed assessment during inception phase
Rehabilitation water systems and networks	15,226	Numbers are subjected to change after detailed assessment during inception phase

19. Women and children bear the primary responsibility for water collection in Afghanistan; lack of access to water and sanitation therefore affects them disproportionately. In areas where women and girls walk long distances to collect water, they can be exposed to SEA/SH. Mobility restrictions on women by the ITA expose them to additional risks while walking long distances to fetch water. In 2020, the WHO reported that 90 percent of Afghan women had experienced physical, sexual, or psychological violence in their lifetime. COVID-19 exacerbated domestic violence in Afghanistan, increasing the number of suicides by women and girls. Since the regime transition, crucial services for survivors of gender-based violence have been decimated.

20. **Gender equality and women's empowerment are fundamental to AKF's mission in Afghanistan.** AKF will ensure that its approach is culturally appropriate and effective at ensuring that men, women, boys, and girls have equal access to water resources. These efforts will include but not be limited to (a) hiring both male and female community mobilizers/WASH facilitators, to reach men and women in targeted communities; (b) choosing locations for wells and boreholes that are accessible to both men and women; and (c) involving women in the selection of water points.

21. **Activity 1.1.3: Signing of a Memorandum of Understanding (MoU) with CDCs on behalf of communities for future O&M support of water resources.** Once construction/rehabilitation of water points is completed but before the new water points are used, an MoU will be signed with the head of each CDC for the future O&M of the water points. In health facilities and schools, AKF proposes that O&M be the responsibility of the facility management, especially in areas where CDCs are not present or have become less effective because of the regime change.

22. **Activity 1.1.4: Provision of rapid emergency water connections in high-risk areas.** Based on the needs assessment and consultations, AKF will determine the modalities through which the PIEs can provide rapid emergency water connections in high-risk areas, including delivery by truck where piped water is not feasible. AKF does not traditionally implement these types of interventions; it will endeavor to identify PIEs with this experience and capacity.

23. **Activity 1.2.1: Implementation of health and hygiene awareness-raising sessions.** AKF will conduct health and hygiene awareness-raising sessions and campaigns in communities and at schools regarding healthy practices, hygiene and sanitation, control of communicable diseases, safe drinking water sources, water chlorination, and safe water storage. Trained community mobilizers will conduct awareness-raising sessions in all target districts. Standard messages approved by WHO/UNICEF regarding health, WASH, safe water, and water storage will be printed and distributed, including on health and hygiene boards in cities and district centers.



Materials from the WHO/UNICEF will also be printed and used during community mobilization interventions and campaigns.

24. **Activity 1.2.2: Provision of hygiene kits to vulnerable communities.** Lower incomes have reduced families' ability to buy basic health and hygiene supplies. To address this challenge, AKF will provide hygiene kits (containing items such as masks, soap, nail cutters, and menstrual hygiene supplies) to community members, schools, CHWs, female Family Health Action Groups, and community health promoters in all targeted districts. AKF will also provide hygiene kits to attendees at health and hygiene awareness sessions. It will leverage its long-term presence in most provinces and involve influential figures, community leaders, and women's groups to identify people who should receive hygiene kits and play roles in increasing awareness and improving hygiene practices. Improved access to hygiene materials will improve girls' school attendance and promote improved hygiene practices.

25. **Activity 1.2.3: Providing training to communities on health, hygiene, sanitation, and safe water.** To strengthen community participation in health care, build capacities to transfer key health messages, and ensure continued health promotion and healthy practices at the community level, AKF and its partners will conduct training/orientation sessions to members of community-based health platforms such as, but not limited to, CHWs, (all-female) Family Health Action Groups, and health *shura* members. AKF will also ensure participation by male and female members of community and district development councils, where such structures exist. It will explore the possibility of building the capacity of male and female members of WASH groups established in most parts of the country, to make sure all influential figures are trained to contribute to improving health and hygiene practices at the community level.

(iv) Context of Component 2

26. **Target districts have both informal and formal irrigation systems.** Informal systems, which local communities developed and manage, have existed for generations. They have undergone social and physical changes (expanding or contracting) with changes in land use and water availability. Formal irrigations were built and are managed by the government. The project will target solar-powered water pumping systems installed on informal irrigation schemes.

27. **While informal irrigation systems vary, they share some common infrastructural, organizational, and operational features.** For example, all the systems are dependent on timing, rate, and duration of the annual water supply with the capacity of high-water harvesting potential during peak flow. The key infrastructure that constitutes the surface water systems includes diversion structures (sarband); main, secondary, and tertiary canals made of unlined earth; control/distribution structures (bifurcators, offtakes etc); conveyance structures (aqueducts and culverts); and protection structures. The entire system is run and maintained autonomously by the user communities. There exist variations in terminology, however the organization and hierarchy are similar e.g., the irrigation system is headed by a wakil or mirab bashi, usually responsible for the main canal sections and the secondary canal. The community is represented by the village elder or village committees. Water is generally distributed based on water availability and a complex system of water entitlements/water rights. System maintenance generally takes place in early spring with labor provided by the community and provided in proportion to water entitlements. The existing irrigation management system demonstrates strong relevance of the community in planning and using irrigation thus reinforcing the benefits from improved irrigation systems not only for the farmers but also for the entire community, including women and children.

Component 2 – Activities

28. **Activity 2.1.: Program Foundation and Community Consultation.** To ensure the success and sustainability



of the solar service, a feasibility assessment (Activity 2.1.1 Feasibility Assessment and Geographical Selection) will be conducted during the six-month inception period to identify feasible locations, water availability/sources, social considerations including preserving water rights and appropriate service provision, and socio-environmental impacts. Based on the outcome of the Feasibility Assessment, UNOPS will carry out a bulk procurement of the solar equipment to ensure good quality of the solar products, uniformity of standards, and efficiency in the supply process (Activity 2.1.2 Equipment Procurement). In addition, extensive community engagement will be undertaken (Activity 2.1.3 Community Consultations and Awareness Raising) to raise awareness of the project among farmers and farmers association in selected priority regions and to communicate the benefits of the project to communities and explain the roles and responsibilities of all parties involved in the project. Particular attention will be given to explaining the role of PESCs and mechanisms for post-project O&M and cost recovery.

29. **Activity 2.2: Screening and selection of PESCs.** The interest in and capacity of PESCs to engage with the project will be established through a call for expressions of interest in target regions by UNOPS (Activity 2.2.1: *Call for PESC expressions of interest*). Interested PESCs will then be screened against a set of criteria proposed by the implementing agency and agreed to with the World Bank. Additional technical, operational, and financial due diligence will be undertaken on the shortlisted PESCs (Activity 2.2.2: *PESC screening and due diligence*). PESCs found to be suitable and eligible to participate in the project will be asked to prepare and submit detailed subproject designs, including feasibility studies, site surveys, cost estimates, and a tariff model, in the areas of interest (Activity 2.2.3: *Project feasibility studies and fee proposals*). The feasibility studies on solar pumping schemes in individual communities will outline the status of irrigation and demand for irrigation; provide a preliminary assessment of equipment sizing; and propose a fee structure, including the cost recovery to be reached at the end of year two and the level of matching grant required from the WERP in the service contract (nominally 80 percent). Elements to be included in feasibility studies prepared by the PESCs will be outlined in the POM. As part of the feasibility study, PESCs will also be required to prepare an MoU between the PESC and local community/community representatives outlining the terms and conditions of service, the roles and responsibilities of each party, and the tariff structure. UNOPS will review all feasibility studies to assess their suitability. If there are competing proposals in the same area or farmer community, contracts will be awarded based on a reverse auction of the required subsidy (a grant component in the contract) among all evaluated feasible proposals (Activity 2.2.4: *Award of grants*).

30. **Activity 2.3. Installation and operation:** The PESCs will install and operate the solar-powered pumping for the duration of the project (Activity 2.3.1: *Construction and operation*), in accordance with the tariff structure agreed to in the feasibility study and in line with the approach detailed above. One of the objectives of the project is that the PESCs will expand, energy delivery services following completion of the project, based on a full cost recovery tariff structure.

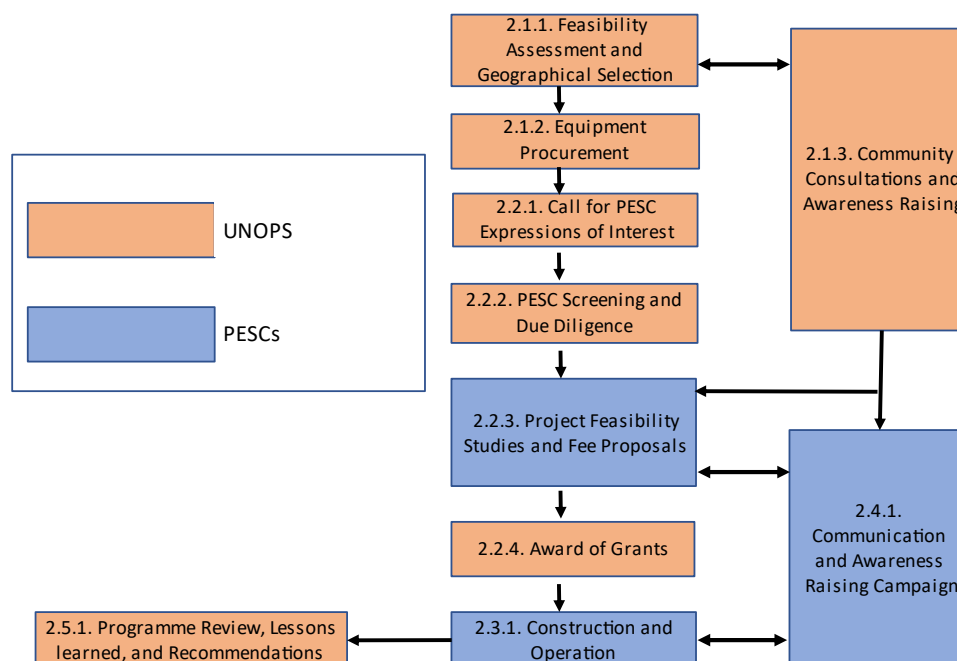
31. **Activity 2.4. Community consultations and awareness building:** To build a smooth and productive relationship between communities and the PESCs, the PESCs, with input from UNOPS, will host orientation sessions for CDC representatives and farmer communities at which they will (a) explain the energy services being deployed and the benefits they can bring to the communities and (b) raise awareness of productive uses of solar energy and discuss new opportunities, including additional energy services PESCs could provide to that would create an environment suitable for new businesses and economic growth (Activity 2.4.1: *Community capacity building*).

32. **Activity 2.5. Program review:** At the midpoint and the end of the project, UNOPS will review the Component 2 structure and implementation experience and prepare a report on lessons learned and recommendations for consideration in the subsequent stages of water engagement in Afghanistan (Activity 2.5.1:



Program review, lessons learned, and recommendations).

Figure 1. Component 2 implementation Process



III. Procurement management

33. **The overall procurement risk under the project is assessed as “High”.** The key issues and risks concerning procurement for the project include: (i) lack of knowledge and experience of AKF-USA staff responsible for procurement in following the Bank’s Procurement Regulations; (ii) delay in implementation/supply limits in local market competition and goods/service delivery constraints; (iii) supply and services could be impacted by the situation on the ground in post-conflict areas; (vi) lack of efficient contract monitoring and management skills and tools; and (v) restriction on local banks’ operations.

34. **Mitigation Measures.** The risk mitigation measures agreed to with AKF-USA and UNOPS include frequent reporting, supplemented by regular direct contact between the World Bank and AKF-USA and UNOPS to review the status of activities. In addition, the Bank will (a) review and approve the procurement plan and updates to it submitted by AKF-USA through the Systematic Tracking of Exchanges in Procurement (STEP); (b) work closely with AKF-USA and UNOPS on the technical review of the TORs and technical specification; and (c) receive provide quarterly reports from AKF-USA and UNOPS on implementation of the procurement plan. AKF-USA and PIEs will hire sufficient qualified national procurement staff familiar/having experience with procurement under previous Bank-financed projects. The ARTF monitoring agent will provide independent assurance on compliance with the project’s control framework. In line with the provision 3.10 of its procurement regulations, the Bank will provide Hands-on Expanded Implementation Support (HEIS) for Component 1 and 3After implementation of these measures, the residual procurement risk will be “Substantial.”

35. **Project Procurement Strategy for Development (PPSD).** A PPSP supporting the preparation of the initial



procurement plan has been drafted. It will be updated when more technical information is available. When carrying out procurement through national competition, AKF-USA will use sample procurement documents acceptable to the Bank. Details for other arrangements will be provided in the POM.

36. **Systematic Tracking of Exchanges in Procurement (STEP).** AKF-USA will use STEP, the Bank's procurement planning and tracking system, to implement Components 1 and 3. Details of procurement activities prepared in the procurement plan offline will be uploaded to STEP. Initial training on STEP will be provided to procurement experts and staff of AKF-USA. Under the APA, UNOPS will not be required to use STEP for implementation of Component 2.

37. **Investment Project Financing (IPF) Solar Procurement Bidder Declaration on Forced Labor:** There is a significant risk of forced labor in the global supply chain for solar panels and solar components. To support forced labor risk mitigation, the Bank requires Recipients to strengthen solar related procurement processes by including forced labor bidder declarations, qualification requirements and strengthened contractual provision in procurements involving financing of solar panels/solar components. Therefore, they must include in applicable procurement documents that include solar panels/components for the "core functions of a project" as defined in the World Bank Environmental and Social Framework: (i) applicable provisions in the invitation for bids, instruction to bidders and qualification requirement; (ii) Forced Labor Performance Declaration; (iii) Forced Labor Declaration; and (iv) strengthened contract clause on Forced Labor. The IPF SOLAR PROCUREMENT BIDDER DECLARATION - FORCED LABOR template is available on the Bank's External Website.

IV. Financial Management

(i) Key Project Financial Management RISKS with Proposed Mitigation Measures and FM arrangements for AKF-USA

38. As part of the project preparation process, the Bank conducted financial management assessments of the UNOPs and AKF-USA. It concluded that the overall financial management arrangements and project financial management systems put in place by UNOPS at the country office and AKF-USA provide reasonable assurance that funds will be used for their intended purposes, with due attention paid to the principles of economy, efficiency, effectiveness, transparency, and accountability.

39. **The FM assessment of AKF identified few project-specific FM risks** in the context of the prevailing operational environment. **The inherent fiduciary risk of the project for AKF is assessed as "High."** Features of the project design that could involve risks include (a) having AKF-USA establish a PIU and four PIEs including AKF-AFG, which may result in a weak coordination among between the central PIU and the PIEs; (b) use of AKF-USA staff who also support other donor-funded projects that use different procedures from the Bank; (c) lack of mechanisms with which to charge salaries of existing part-time and full-time staff costs to the project; (d) the absence of a tailored MIS to record, track, and report on subproject expenditures; (e) lack of monitoring by an independent third-party monitoring agent; and (f) lack of a POM to provide an overall internal control framework. (2) other risks include (a) potential for the overall liquidity risks within the banking system in the country; (b) potential for infiltration of project unrelated Money Laundering and diversion of the project funds to Financing of Terrorism risks (AML/CFTs); (c) fraud and corruption risks (3) the risk that the PIEs other than AKF-AFG may not possess the adequate financial management capacity given that the necessary FM assessment of other PIEs has been deferred.

40. **The project design includes measures to mitigate the identified fiduciary risks in AKF.** The Mitigation measures include the following: (1) (a) the establishment of a project implementation unit (PIU) by the AKF-USA



within two months of the project effectiveness; (b) the Bank will prior approve the staffing levels after reviewing their current skills. The Bank will also review and guide on the level of operating costs based on a plan to be submitted for each year of the project implementation; (c) modification of a Management Information System to record, track and report sub-projects related expenditures; (d) the project team will develop a project operational Manual within one month of the project effectiveness (e) engagement of the ARTF third-party monitoring agents in financial and physical monitoring of the project activities (f) outlining detailed funds flow arrangement in the POM based on the current environmental risk analysis, and (g) consideration of AML/CFT measures risks by the project. The PIU and subsidiary's (four PIEs including AKF-AFG)' staff will be required to sign a declaration to comply with the World Bank's Anti-Corruption Guidelines. Each supervision will review compliance to the declaration. The subsidiary agreements of AKF USA with the four PIEs including AKF-AFG 1) will include standard provisions on anti-corruption, World Bank inspection, and audit right, 2) will be based on the due diligence of the three remaining PIEs by AKF, and fiduciary assessment of the three remaining PIEs by the Bank, and the same are proposed as disbursement conditions. Moreover, the three remaining PIEs will not receive any project funds until they are assessed and a plan of action addressing their weaknesses put in place. After the implementation of the proposed mitigation measures, the residual fiduciary risk is assessed as "**Substantial**".

41. **Overall summary of the FM arrangements at the AKF.** The AKF-USA will establish a project implementation Unit (PIU) in Afghanistan and will sign subsidiary agreements with AKF-A and up to three additional PIEs for the project implementation. The project PIU will be responsible for the overall financial management of the project components 1, 3, and 4 (AKF-Part). The financial management of the project will be managed by the dedicated FM staff included in the PIU who will be supported by the AKF finance and grant management team. The number and positions of the dedicated FM staff will be agreed upon as part of the overall PIU. Additionally, the PIU will also designate a staff who manages and reports on governance and anti-corruption risks.

42. The AKF PIU will prepare and submit to the Bank an annual budget for no objection, following applicable policies and procedures. The budget will be based mainly on the procurement and annual work plans, with quarterly breakdowns to facilitate budget monitoring. Actual expenditures will be monitored against quarterly plans, and progress will be reported to the World Bank. The AKF PIU will prepare and keep accounts in accordance with the IFRS framework and prepare consolidated financial statements covering the AKF PIU, AKF-A, and additional PIEs. The AKF PIU will also prepare consolidated quarterly IUFs, which will be submitted to the Bank for review and clearance no later than 45 days after the end of each quarter. The AKF PIU will also prepare a quarterly SOE and submit it for Third Party Monitoring Agency certification. The financial statements will include a disclosure note explaining the differences between the actual expenditures reported in the SOEs and the annual financial statements.

43. An internal project audit will be conducted by AKF-USA's internal audit department; it will cover project activities implemented by the AKF PIU and PIEs (including AKF-A). If necessary, the internal audit team may hire individuals or firms to strengthen its capacity and charge the costs to the Bank if approved within the annual work plan and the project budget. AKF-USA will hire a well-respected audit firm through the World Bank procurement guidelines based on the TORs agreed to with the Bank to conduct an external audit of the project's consolidated financial statements. AKF-USA will submit annual audited project financial statements and management letters to the World Bank within six months of the close of each calendar year (June 30).

44. **Funds flow and Disbursement.** Funds from the World Bank will be received in a corporate bank account maintained by AKF-USA held at JPM Bank USA. This Bank account will be replenished by the World Bank depending upon the spending, forecasts, and approved withdrawal applications. Funds from the AKF-USA's designated account will be transferred to AKF-UK Crown agent Bank for onward transfer to the country (Afghanistan) in the



AIB Bank through the Banking channel or using the existing UN Cash Facility. The AKF-USA will use the UN Cash Facility for bringing hard cash into Afghanistan and depositing it in the Cash vault of the AIB Bank. The AKF PIU may also use the Crown Agent Bank to make payments to international suppliers, contractors, and consultants. The UN cash drop service operates once a month with advance notice of 25 days. The professional charges for the UN Cash drop service are currently around 2.88 percent.

45. The AKF PIU will open a project-specific special Bank account in the First Microfinance (FMFB) Bank where AIB will then be instructed to deposit the funds received from the crown agent Bank directly or through the UN Cash facility. The PIU special account will be used to 1) transfer payments to suppliers, consultants, staff, and vendors, working with PIU and 2) transfer funds to a) AKF-A pooled account in the FMFB, b) segregated Bank accounts of the additional PIEs to be opened in the FMFB bank. The funds flow and payment arrangements from the AKF PIU special accounts to the AKF-A and three additional PIEs' accounts will be laid out in the subsidiary agreement between the AKF-USA with the AKF-A and additional PIEs. The details on funds flow arrangements and onward payments from AKF PIU, AKF-A, and additional PIEs Bank accounts to suppliers, vendors, contractors, staff, and consultants will also be provided in the POM.

(ii) Key Project Financial Management RISKS with Proposed Mitigation Measures and FM arrangements for UNOPS

46. **The FM assessment of UNOPS also identified some project-specific FM risks** in the context of the prevailing operational environment, and therefore, the overall inherent fiduciary risk of the project for UNOPS was assessed as "**High**". The risks mainly include a) the lack of project operational manual providing an overall control framework, b) hiring of new staff as well as charging the salaries of the existing support staff in the country office to the Project, c) the risks that the PESCOs may not observe the applicable controls and regulation, d) assurance of the 20 percent in-kind contributions towards the sub-project costs as these may not be properly recorded and accounted for; e) AML/CFT, fraud, and corruption, and f) lack of third party monitoring.

47. **The project design includes measures to mitigate the identified fiduciary risks for UNOPS.** They include (a) establishment of a PIU by UNOPS; (b) the sharing of TORs for new staff of the UNOPS PIU; (c) prior approval of staffing and the cost plan; (d) development of a POM; (e) provision of details on the selection criteria of the PESCOs and details on their 20 percent contribution, which will be provided in the POM and monitored through the third-party monitoring agent; (f) the engagement of ARTF third-party monitoring agents for physical and financial monitoring; and (g) provision of AML/CF, and fraud and corruption-related measures in the POM. The residual fiduciary risk after mitigation is assessed as "Substantial."

48. **Overall Summary of the FM arrangements:** The UNOPS PIU comprising the Financial Management staff based in Kabul will manage the day-to-day financial aspects of the project. It will include an adequate number of financial management professionals. The composition of the project financial management team will be agreed upon during the Inception phase. UNOPS will follow its own applicable financial rules and regulation. The overall project budget will be submitted to Bank review and no objection. The UNOPS PIU will submit the annual work plan and budget, describing all proposed activities to be implemented under the project during the subsequent 12 months and a proposed financing plan for the expenditures required for such activities.

49. The UNOPS PIU will also be responsible for preparing and submitting quarterly IUFs to the Bank within 45 days of the close of each quarter. The format of the report will be agreed upon during project negotiations. Per FMFA, UNOPS will submit the grant's annual financial statement of accounts within six months of the close of its financial year. The UNOPS Internal Audit and Investigation Group will conduct the annual internal audit of the project and submit the internal audit report to the World Bank within six months of the end of each calendar year. The internal audit is based on UNOPS standard internal audit TORs acceptable to the World Bank. Per the FMFA,



the Bank recognizes the UN single-audit principle. UNOPS shall make available to the World Bank the audited annual financial statements of UNOPS with the related report of the external auditor appointed by UNOPS for each year of the project implementation period no later than September 30 of the following year.

50. **Disbursement to UNOPS will be report based.** Upon approval, the World Bank will transfer an initial advance to UNOPS based on UNOPS' forecast approved by the Bank. UNOPS will be responsible for transferring the funds to UNOPS' pooled bank account at AIB for payments within Afghanistan. UNOPS will make payments to international vendors/supplies as well as international staff from UNOPS headquarters bank accounts. Most of the funds will be disbursed from these accounts. Smaller operational fees, including salaries to local staff and local vendors, will be paid from within Afghanistan. UNOPS is expected to use the interest earned from project funds to cover (partially or fully) the high bank fees for bringing money into Afghanistan. It will report the interest earned and bank fees in the quarterly IFRS.