



Report and Recommendation of the President to the Board of Directors

Project Number: 48326-001
October 2014

Proposed Grants and Administration of Grant Islamic Republic of Afghanistan: Northern Flood- Damaged Infrastructure Emergency Rehabilitation Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 06 October 2014)

Currency unit	–	afghani (AF)
AF1.00	=	\$0.0175
\$1.00	=	AF57.2500

ABBREVIATIONS

ADB	–	Asian Development Bank
AITF	–	Afghanistan Infrastructure Trust Fund
CDC	–	community development council
DNA	–	damage and needs assessment
MEW	–	Ministry of Energy and Water
MOF	–	Ministry of Finance
MRRD	–	Ministry of Rural Rehabilitation and Development
PAM	–	project administration manual
PIO	–	project implementation office
PIU	–	project implementation unit
PMU	–	project management unit

NOTE

In this report, "\$" refers to US dollars.

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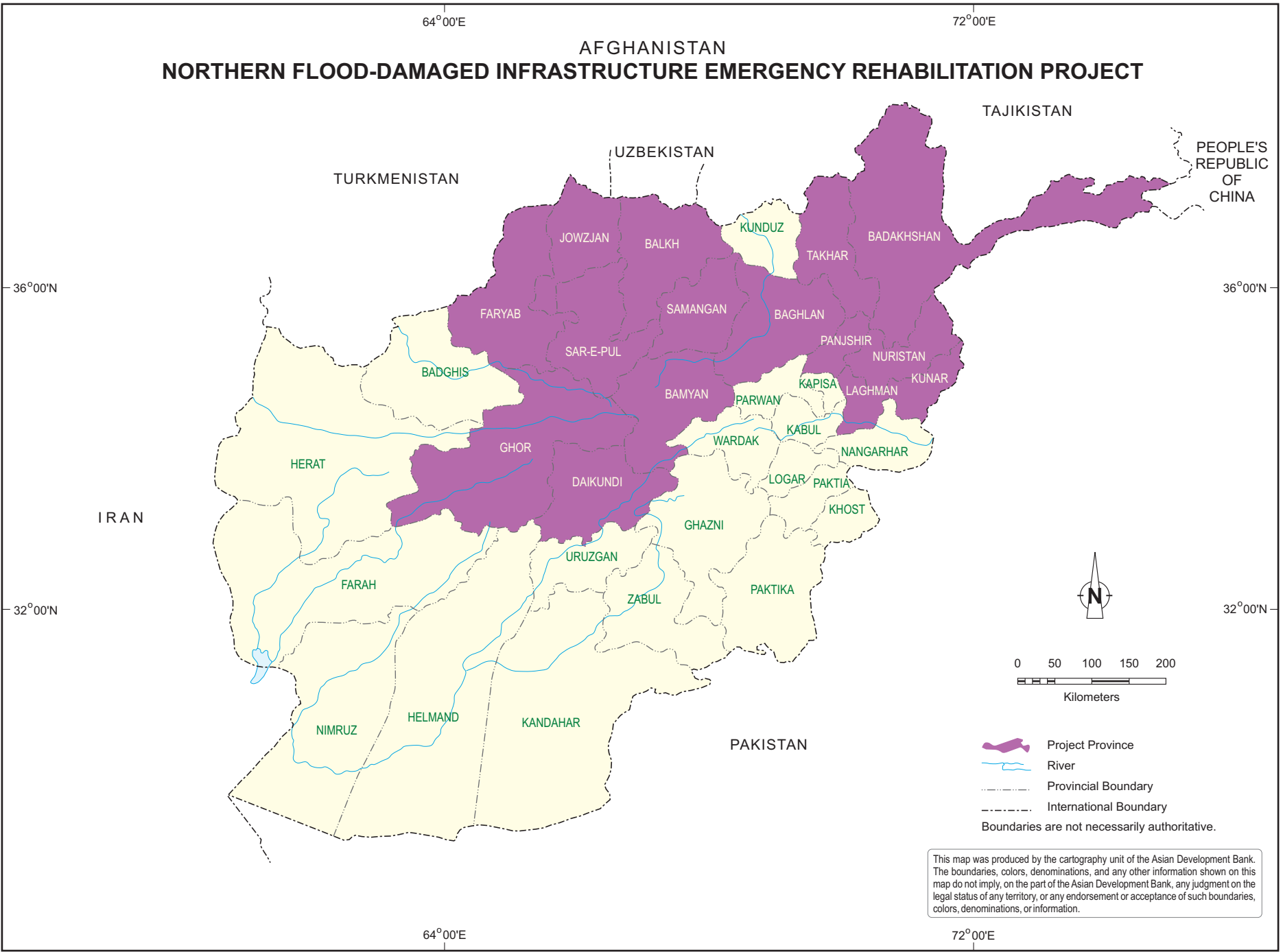
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PROJECT AT A GLANCE

1. Basic Data		Project Number: 48326-001	
Project Name	Northern Flood-Damaged Infrastructure Emergency Rehabilitation Project	Department /Division	CWRD/AFRM
Country Borrower	Afghanistan, Islamic Republic of Ministry of Finance	Executing Agency	Ministry of Finance
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Agriculture, natural resources and rural development	Irrigation		27.20
Transport	Road transport (non-urban)		12.80
	Total		40.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Adaptation (\$ million)	10.00
Environmentally sustainable growth (ESG)	Disaster risk management	Climate Change impact on the Project	Medium
	Global and regional transboundary environmental concerns		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Organizational development	No gender elements (NGE)	✓
Partnerships (PAR)	Official cofinancing		
	Regional organizations		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	Yes	Rural	High
Geographic targeting (TI-G)	Yes		
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: B Involuntary Resettlement: C Indigenous Peoples: C		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		40.00	
Sovereign Project grant: Asian Development Fund		40.00	
Cofinancing		16.66	
Afghanistan Infrastructure Trust Fund		16.66	
Counterpart		0.58	
Government		0.58	
Total		57.24	
9. Effective Development Cooperation			
Use of country procurement systems		Yes	
Use of country public financial management systems		No	

AFGHANISTAN

NORTHERN FLOOD-DAMAGED INFRASTRUCTURE EMERGENCY REHABILITATION PROJECT



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I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed grant and (ii) a proposed grant and administration of such grant to be provided by the Afghanistan Infrastructure Trust Fund (AITF),¹ to the Islamic Republic of Afghanistan for the Northern Flood-Damaged Infrastructure Emergency Rehabilitation Project.²

2. The project will assist the government in rehabilitating irrigation and road infrastructure damaged by severe flooding in northern Afghanistan during April–June 2014. It will help rehabilitate selected (i) traditional irrigation and rural road infrastructure in the 15 worst-affected provinces, based on the damage and needs assessment (DNA) undertaken by the Ministry of Rural Rehabilitation and Development (MRRD);³ and (ii) formal irrigation system infrastructure in three provinces, based on the DNA completed by the Ministry of Energy and Water (MEW).⁴

II. THE PROJECT

A. Rationale

3. Afghanistan is classified as the world's second most flood-prone country, after Bhutan, on the basis of average annual number of flood-related deaths per million people.⁵ The topography, climate, and land cover of the mountainous regions result in the mountain valleys being prone to flooding. Typically, heavy rain in the spring and early summer combined with snow and glacier melt cause flash flooding and damage to villages, roads, and farming areas close to the rivers. Flooding is exacerbated by the narrow valleys, which channel the floodwater through villages, destroying homes and livelihoods. Significant losses also result from inundation of crops and irrigation facilities, and the deposit of silt, rocks, and debris in canals and fields.

4. During April–early June 2014, heavy rains over many parts of northern Afghanistan resulted in severe flash floods, causing widespread destruction and loss of life. By 22 May 2014, 125,000 people residing in 123 districts in 27 provinces had been affected. While flooding is common in most years, the 2014 northern floods were exceptionally severe and are regarded locally as a 1 in 100-year event.

1. Damage, Loss, and Needs Assessment

5. The Afghanistan National Disaster Management Authority is the lead agency responsible for disaster management in the country. With provincial disaster management agencies, the authority coordinated disaster relief efforts financed by central and line agency governments, nongovernment organizations, and multilateral funds. A comprehensive DNA, inclusive of key development partners and government agencies, was not possible due to poor security conditions. The Ministry of Finance (MOF) estimated flood losses at over \$800 million. ADB

¹ Financing partners: the governments of Japan, the United Kingdom, and the United States.

² The design and monitoring framework is in Appendix 1.

³ Provinces include Badakhshan, Baghlan, Balkh, Bamyan, Daikundi, Faryab, Ghor, Jowzjan, Kunar, Laghman, Nuristan, Panjshir, Samangan, Sar-e-pul, and Takhar.

⁴ Provinces include Balkh, Jowzjan, and Samangan.

⁵ United Nations Development Programme, *Bureau for Crisis Prevention and Recovery*. 2004. *Reducing Disaster Risk: A Challenge For Development*. New York.

estimated the cost of damage in four provinces,⁶ based on multi-agency consultations, at around \$240 million, with 70% of losses from housing, crop and livestock losses, and deaths. Since many families have sustained damage to or loss of their homes and in many cases their livestock, they require urgent humanitarian and economic assistance. During the ADB DNA and fact-finding mission, extensive losses to rural infrastructure significantly impacting the livelihood of thousands of people were observed.

6. On 4 August 2014, the government requested an emergency assistance grant to assist with repairing or reconstructing damaged village connectivity and irrigation infrastructure, and repairing farm to market roads.

7. MRRD has estimated the cost to repair small-scale irrigation infrastructure at \$19.6 million in 15 provinces (mainly to canals, intakes, and other structures; retaining walls; and land). It has estimated the repair or reconstruction costs of village roads and bridges at \$12.3 million, with village roads particularly being severely affected.

8. MEW has estimated the cost to repair larger-scale irrigation infrastructure in need of early repair at \$6.3 million in Balkh, Jowzjan, and Samangan provinces. This includes the reconstruction of the Hacha Qala weir servicing extensive irrigation areas in Jowzjan province, and many subprojects comprising canal bank protection and repair.

9. The ADB fact-finding mission verified damage to a sample of assets. The damage assessment estimates provided by MRRD and MEW, totaling \$38.15 million, formed base cost estimates for infrastructure rehabilitation (Table 1).

2. Government and Development Partner Response

10. The national response to the northern flood disaster has been limited due to financial resource constraints. The National Emergency Fund receives an annual contribution of AF900 million (\$16 million) from the government, much of which has been applied to the northern flood humanitarian relief in 2014. Local government agencies have helped communities' complete temporary repair of irrigation facilities through the provision of excavators and sandbags.

11. The on-the-ground humanitarian response was generally prompt and effective through several government departments and provincial agencies, United Nations agencies, and numerous nongovernment organizations.⁷ The United Nations Office for the Coordination of Humanitarian Affairs is coordinating support for house reconstruction. The World Bank is providing a grant of \$20 million under its ongoing Irrigation Restoration and Development Project to repair previously rehabilitated infrastructure. ADB investments to repair village economic infrastructure and rural connectivity will complement the large humanitarian efforts of the government and its development partners.

12. With its support for agriculture and natural resources, including irrigation infrastructure, the project is to contribute to the achievement of government and Asian Development Bank (ADB) development outcomes, as outlined in the interim country partnership strategy, 2014–2015 for Afghanistan. For national planning, the project is directly supportive of the agriculture

⁶ Balkh, Faryab, Jowzjan, and Sar-e-pul.

⁷ See details in Development Coordination (accessible from the list of linked documents in Appendix 2).

and rural development, and infrastructure development clusters of the government's national priority programs. The project will contribute to ADB's commitment under the Midterm Review of Strategy 2020 to strengthen integrated disaster risk management to reduce vulnerability to natural and environmental hazards.

B. Impact and Outcome

13. The project impact will be improved community welfare in flood-affected project areas. The project outcome will be restoration of irrigated agriculture and access to markets.

C. Outputs

14. The project outputs will be (i) selected flood-damaged infrastructure rehabilitated, and (ii) project management. The project will help communities and MEW to repair damaged irrigation structures and land, including protecting land from further erosion with retaining walls where required, and returning assets to production as soon as possible. Investments in village roads and bridges will allow rural connectivity to be restored. The infrastructure to be rehabilitated will be subject to selection criteria set out in the project administration manual (PAM).⁸ Key criteria include that (i) assets were damaged by the 2014 floods; and (ii) repairs are technically feasible, cost-effective, financially sustainable, and economically viable.

D. Investment and Financing Plans

15. The project is estimated to cost \$57.24 million (Table 1).

Table 1: Project Investment Plan (\$ million)

Item	Amount ^a
A. Base Cost^b	
Output 1: Selected flood-damaged infrastructure rehabilitated	38.15
Output 2: Project management ^c	10.35
Subtotal (A)	48.50
B. Contingencies^d	8.74
Total (A+B)	57.24

^a Includes taxes and duties estimated at \$1.5 million to be financed by the Asian Development Fund (ADF) and the Afghanistan Infrastructure Trust Fund (AIF) resources.

^b In mid-2014 prices.

^c Includes security costs of \$0.75 million to be financed from ADF and AIF resources.

^d Physical contingencies are computed at average of 2% on foreign exchange costs and 7% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Source: Asian Development Bank estimates.

16. The government has requested a grant not exceeding \$40 million from ADB's Special Funds resources to help finance the project. The AIF will cofinance, through a \$16.66 million grant, the defined outputs of the project. ADB will administer the AIF funds. ADB and AIF financing will support civil works, consultancies, goods, security, recurrent costs, and taxes and duties (including business receipts tax).⁹ ADB has been financing project taxes and duties in

⁸ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

⁹ Taxes and duties include the business receipt tax, estimated at 2%; fixed tax on imports of 2%–7%; and custom duties of 2.5%–16%. They do not represent an excessive share of the financing plan and are within applicable country partnership strategy parameters. ADB. 2005. *Innovation and Efficiency Initiative, Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach*. Manila.

Afghanistan since 2011; this is justified for the project because (i) the amount will not represent an excessive share of the project investment plan, (ii) the taxes and duties apply only to ADB-financed expenditures, and (iii) the financing of taxes and duties is material and relevant to project success. This is in line with ADB's Operations Manual on Cost Sharing and Eligibility of Expenditures.¹⁰ The World Bank also follows this practice in Afghanistan.

17. The government will provide office space in Kabul and Mazar-i-Sharif. The financing plan is in Table 2.

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Special Funds resources (grant)	40.00	69.9
Afghanistan Infrastructure Trust Fund ^a	16.66	29.1
Government	0.58	1.0
Total	57.24	100.0

^a Financing partners: the governments of Japan, the United Kingdom, and the United States. Administered by the Asian Development Bank.

Source: Asian Development Bank estimates.

E. Implementation Arrangements

18. The MOF will be the executing agency. For output 1, MRRD will implement rehabilitation of traditional irrigation and rural roads assets, and MEW the rehabilitation of government-owned irrigation schemes. MRRD will make extensive use of community participation for contracting and implementing subprojects. Since 2001, MRRD has successfully executed more than 50,000 community participation contracts through the National Solidarity Program, with a total value of around \$4 billion. The flagship national program for rural reconstruction is largely funded by a World Bank-managed multi-donor trust fund. MRRD will use the four existing project implementation units (PIUs) under the Community-Based Irrigation Rehabilitation and Development Project,¹¹ and will establish two additional PIUs in Bamyán and Takhar to support project implementation. The project will add less than 10% to the typical annual community participation contract implementation workload for MRRD. For output 1, MEW will implement the rehabilitation of formal irrigation schemes, most of which it manages. It will utilize the project management office (PMO) and project implementation office (PIO) established under the tranche 1 project of the Water Resources Development Investment Program,¹² with the proposed project financing any incremental staff. MEW is currently implementing three ADB projects. A national firm of consultant engineers will be contracted to provide construction supervision, and will also report to ADB.

¹⁰ ADB. 2012. *Cost Sharing and Eligibility of Expenditures for ADB Financing. Operations Manual. OM H3/BP.* Manila.

¹¹ ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Grant Assistance to the Islamic Republic of Afghanistan for Community-Based Irrigation Rehabilitation and Development.* Manila.

¹² ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility and Administration of Grant and Cofinancing to the Islamic Republic of Afghanistan for the Water Resources Development Investment Program.* Manila.

Table 3: Implementation Arrangements

Aspects	Arrangements		
Implementation period	November 2014 to October 2017		
Estimated completion date	31 October 2017 (Grant closing date 30 April 2018)		
Management			
(i) Oversight body	Project Steering Committee: Ministry of Finance (MOF) (chair), Ministry of Rural Rehabilitation and Development (MRRD), Ministry of Energy and Water (MEW), Afghanistan National Disaster Management Authority, security agencies		
(ii) Executing agency	MOF		
(iii) Key implementing agencies	MRRD and MEW		
(iv) Implementation units	<p>MRRD will establish a project management office (PMO) in Kabul, and using six provincially based project implementation units (PIUs) will design, contract, and supervise the rehabilitation of traditional irrigation systems, rural roads, and bridges; and repair and construct retaining walls. Four PIUs will be located with the Community-Based Irrigation Rehabilitation and Development PIUs.^a Two new PIUs will be established.</p> <p>MEW will design, contract, supervise implementation, and monitor subprojects for rehabilitation of formal irrigation systems. At the field level, the subprojects will be implemented by the project implementation office (PIO) for the Water Resources Development Investment Program (Project 1)^b located in the Northern River Basin Agency offices in Mazar-i-Sharif. The PMO will undertake design and contracting responsibilities.</p>		
(v) PMO, PIU, and PIO staff	MRRD:118 MEW: 10		
Procurement ^c	National competitive bidding		
	MRRD traditional irrigation infrastructure	1	\$0.40 million
	MEW irrigation	5	\$6.05 million
	Community participation in procurement		
	MRRD community development council (CDC)	800	\$31.88 million
	MEW CDC contracts	8	\$0.21 million
	Shopping		
Consulting services	Irrigation engineers (3) (individual)	Individual	\$304,000
	Auditors: Fixed Budget Selection	Firm	\$75,000
	National supervising consultants: quality- and cost-based selection (90:10)	Firm	\$900,000
	PMO, PIU, and PIO contract staff	Individual	\$5,469,000
Advance contracting ^d	Recruitment of PIO (MEW) and/or PIU (MRRD) staff prior to grant effectiveness, with commencement shortly after grant effectiveness		
Disbursement	Grant proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2012, as amended from time to time) and detailed arrangements agreed upon between the government and the Asian Development Bank.		

^a ADB. 2012. Report and Recommendation of the President to the Board of Directors: *Proposed Grant Assistance to the Islamic Republic of Afghanistan for Community-Based Irrigation Rehabilitation and Development*. Manila.

^b ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility and Administration of Grant and Cofinancing to the Islamic Republic of Afghanistan for the Water Resources Development Investment Program*. Manila.

^c The project is eligible for universal procurement under the Asian Development Bank's Procurement Guidelines (2013, as amended from time to time).

^d The government has been advised that approval of advance contracting does not commit ADB to future financing of the project.

Source: Asian Development Bank estimates.

19. Procurement will be in accordance with ADB's Procurement Guidelines (2013, as amended from time to time) taking into account ADB's Operations Manual instructions on

procurement in disaster and emergency assistance situations.¹³ Recruitment of consulting services will be in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). MRRD will contract communities to undertake rehabilitation works in approximately 506 villages or groups of villages. MRRD will manage the community participation contracting process in line with the management guidelines detailed in the PAM. Priority subprojects identified by MEW and MRRD are listed in the PAM (footnote 11).

20. An emergency assistance grant normally has a 2-year implementation period. In the Afghan post-conflict situation where security issues and various constraints can cause delays, a 3-year project implementation period is more appropriate.

III. DUE DILIGENCE

A. Technical

21. At fact-finding, security limitations constrained the conduct of due diligence for damaged irrigation and rural roads assets. Extensive damage was noted in a wide geographic area; a common theme was that failed assets had been built to lower engineering standards. More recent construction built to higher standards and intended to be resilient to more extreme weather events survived the floods intact.

22. Damaged infrastructure will be repaired or replaced with a "build-back-better" philosophy to improve flood resilience through better infrastructure design, building materials, construction methods, and supervision. This is within the skills set of the implementing agencies and construction teams as assets built more recently have survived recent flood events. Community development councils (CDCs) will be used for all traditional irrigation and rural road construction work, and therefore operation and maintenance will be within their capacity. MEW will manage larger irrigation infrastructure using existing irrigation system management mechanisms.

23. MRRD's ability to recruit sufficient engineers of adequate ability to design and supervise subproject implementation will be key to the success of output 1. MRRD's provincial departments already employ numerous engineers recruited from their own province or other province; discussions in Balkh and Samangan indicate a sufficient pool of engineers on which to draw. All CDCs have experience in managing and constructing village infrastructure on their own account and under the National Solidarity Program. During fact-finding, all CDCs expressed confidence in the availability of sufficient skilled and unskilled laborers in their own and/or adjoining villages to complete subprojects to a high standard. MEW is competent and experienced, and the work envisaged is within their technical capacity. Subproject selection criteria defined in the PAM requires an assessment of technical feasibility for all subprojects.

B. Economic and Financial

24. In accordance with ADB's Disaster and Emergency Assistance Policy (2004), economic analysis for the subprojects will be conducted by MRRD and MEW before subproject implementation. The analysis will be carried out in accordance with ADB's Guidelines for the Economic Analysis of Projects,¹⁴ and will ensure that subproject classes have an economic internal rate of return of at least 12% prior to implementation.

¹³ ADB. 2004. Disaster and Emergency Assistance. *Operations Manual*. OM D7/BP. Manila.

¹⁴ ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila.

25. The project will reduce incremental recurrent costs through the replacement of damaged assets with improved quality structures using the build-back-better approach. The majority of assets will be rebuilt using community participation contracts, and will be owned and maintained by the communities in the future. The communities will provide at least 7% in kind contribution on average for all contracts procured with community participation.

C. Governance

26. **Anticorruption.** ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government. The specific policy requirements and supplementary measures are described in the PAM. ADB reserves the right to investigate, audit, and examine the records and accounts of MRRD and MEW directly or through its agents, for any alleged corrupt, fraudulent, collusive, or coercive practices relating to the project. To support these efforts, relevant provisions of ADB's Anticorruption Policy (1998, as amended to date) are included in the grant agreements and the bidding documents under the project.

27. **Financial management.** MRRD and MEW are currently implementing ADB projects and have financial management skills that satisfy ADB requirements. The current financial management system of the ministries is capable of (i) recording the required financial transactions and balances, (ii) providing regular and reliable financial statements and monitoring reports during project implementation, (iii) safeguarding financial assets, and (iv) preparing required financial documents to audit acceptable to ADB. The MRRD PIUs and MEW PIO are staffed with experienced personnel familiar with ADB's *Handbook for Borrowers on the Financial Management and Analysis of Projects* (2005). MOF has adequate financial management capacity to satisfy ADB requirements for an executing agency, records required financial transactions and balances, provides regular and reliable financial statements and monitoring reports, safeguards financial assets, and submits the required financial documents in an auditable form and format.

28. **Project performance management system.** A project performance management system will be established within 3 months of grant effectiveness.¹⁵ MEW will adapt the MRRD-managed system for its use. The database will be updated and monitored monthly. MRRD will provide quarterly reports to ADB.

D. Poverty and Social

29. In most cases, full irrigation would not be feasible for several years in the absence of the project, causing widespread hardship and hunger. The post-flood emergency repairs undertaken by the villages are not durable and will likely be lost again in the next flood, probably during 2015. Consequently, in the absence of the project, agricultural production will be severely limited. In these circumstances, and where substantial areas of land can be brought back into production in 1–2 years, financial returns are likely to be high.

30. The damage and loss assessment estimates that the irrigation outputs will benefit more than 112,000 flood-affected households and the village road outputs will benefit 87,000 flood-affected households (with some overlap between the two categories). This equates to almost 1 million affected people in 15 of the most severely flood-affected provinces. The main

¹⁵ The short time frame is considered feasible, since the project performance management system will be similar to that used for the Community-Based Irrigation Rehabilitation and Development project (footnote 14).

beneficiaries will be farming families previously benefiting from irrigation systems, and village people who will be able to have continued access to markets and regional centers.

31. The implementation modality for the traditional irrigation and rural roads activities is similar to the National Solidarity Program, enabling farmers and local laborers to undertake the construction under the guidance of MRRD engineers. Local communities will therefore benefit from both infrastructure and construction income, which can be immediately applied to cope with damaged housing and economic assets. The project utilizes an inclusive design for community engagement to encourage peace building in a post-conflict environment.

32. The role of women in the project area is dictated by tradition, with women largely engaged in unpaid work within the house compound. Women have expressed concerns about lack of food, income, work opportunities, health facilities, and potable water. Gender roles in the project area are unlikely to change. Apart from improving irrigation water supplies, which has an impact on household food security, the project will have a limited gender impact.

E. Safeguards

33. **Land acquisition and resettlement.** The project is categorized C for involuntary resettlement. As it proposes to reconstruct and rehabilitate existing flood-damaged infrastructure, the project team is confident that land acquisition and physical and economic displacement and/or any other negative impacts are not required under the project and its outputs. The project will not support any subprojects that require land acquisition or involuntary resettlement.

34. **Indigenous peoples.** The project is categorized C in relation to indigenous peoples. Afghanistan is inhabited by ethnic groups across its 34 provinces. None are considered indigenous peoples as defined by the ADB Safeguard Policy Statement (2009) for project operation purposes. Afghan minority ethnic groups (mainly comprising Kuchi and Hazara) are not found in the subproject areas, hence will not be impacted by subprojects in any manner.

35. **Environment.** The project is categorized B for environment. A rapid environmental assessment checklist will be used at the time of subproject identification to determine the level of study required. Subprojects with potential significant environmental impacts and risks (category A) will be excluded from financing. An environmental assessment and review framework for the project was prepared and disclosed on the ADB website on 12 August 2014. The environmental assessment and review framework (i) specifies the requirements for subproject selection, screening and categorization, assessment, consultation and participation, and environmental planning; (ii) assesses MRRD and MEW capacity for implementing national environmental laws and ADB requirements; (iii) describes monitoring and reporting procedures; and (iv) specifies implementation procedures and responsibilities. Adverse environmental impacts such as noise, air and water pollution, and soil erosion could occur during construction. However, these are site-specific and temporary in nature, and will be mitigated through implementation of environmental management plans. An initial environmental examination, including environmental management plans, will be prepared for any category B subproject. The initial environmental examinations and relevant environmental monitoring reports will be disclosed on the ADB website.

F. Security

36. Poor security in the project provinces can delay project activities. Before implementation commences, discussions will be held with local security agencies, particularly the police and the Afghanistan National Army. These consultations will continue on a regular basis. Relatively few security problems are envisaged due to the positive contribution of the project to economic development in the project areas. Communication links will be established with every CDC, which will provide early warning of any security issue. Adequate security to allow subproject implementation is a selection criterion. Where security prevents adequate design or supervision during project implementation, subprojects may need to be put on hold or cancelled. A national project security officer will be appointed to advise all PIUs on security matters. A budget of \$749,000 has been provided to meet security needs.

G. Risks and Mitigating Measures

37. Major risks and mitigating measures are summarized in Table 4, and described together with the procurement risk assessment and risk mitigation action plan in the overall risk assessment and risk management plan.¹⁶ The integrated benefits and impacts are expected to outweigh the costs.

Table 4: Summary of Risks and Mitigating Measures

Risk Description	Mitigation Measures or Risk Management Plan
Security problems delay implementation	Security is a significant issue in much of rural Afghanistan. The project design mitigates security risks through the use of community participation in implementation and the use of nationals for field supervision functions. A budget is provided to meet security needs. The project will withdraw from areas on the advice of its security adviser.
Further flooding sufficient to damage repaired structures	The project is adopting a build-back-better approach, which will ensure that assets are less likely to be damaged by future floods.
Slow construction delays completion under the Ministry of Rural Rehabilitation and Development	Measures include (i) recruiting many engineers to design and supervise subprojects, (ii) using community participation processes to construct subprojects, and (iii) moving engineers between provinces to support programs that are experiencing time delays.
Financial malfeasance or corruption	Among other things, collusion of contractors is possible, this will be closely monitored through the use of third party monitoring and supervision consultants and frequent review missions.
Difficulty in attracting quality consulting and construction firms to bid	All packages of the Ministry of Energy and Water (MEW) except one are over \$100,000 and should attract qualified contractors.
Delayed award of contracts	Close supervision of procurement activities by ADB through Afghanistan Resident Mission staff and resident mission consultants. The implementation schedule will be closely monitored and support provided by the resident mission as needed.
Implementing entity experience and capacity	The project management unit in the Ministry of Rural Rehabilitation and Development and project management office in MEW are already implementing ADB- and World Bank-financed projects. Their capacity will be augmented with additional offices and staff. Training will be provided through available technical assistance resources to new staff as needed.
Reporting and monitoring	The PMOs are experienced in submitting the necessary reports in accordance with ADB requirements. The same procedures will be followed in project reporting and control mechanisms.

Source: Asian Development Bank.

¹⁶ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

IV. ASSURANCES

38. The government has assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the PAM and grant documents.

V. RECOMMENDATION

39. I am satisfied that the proposed grants would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve

- (i) the grant not exceeding \$40,000,000 to the Islamic Republic of Afghanistan from ADB's Special Funds resources for the Northern Flood-Damaged Infrastructure Emergency Rehabilitation Project, on terms and conditions that are substantially in accordance with those set forth in the draft grant (Special Operations) agreement presented to the Board; and
- (ii) the grant not exceeding \$16,660,000 to the Islamic Republic of Afghanistan, to be provided by the Afghanistan Infrastructure Trust Fund, for the Northern Flood-Damaged Infrastructure Emergency Rehabilitation Project, and the administration by ADB of such grant, on terms and conditions that are substantially in accordance with those set forth in the draft grant (externally financed) agreement presented to the Board.

Takehiko Nakao
President

9 October 2014

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Community welfare in flood-affected project areas improved	By 2020, average poverty rates (headcount ratio below \$1.25/day) across the target provinces are reduced by 5%. (2014 baseline = 44.5%)	National Statistics Office provincial poverty data	Risk Further flooding may occur in the affected areas Assumption Responsible parties each provide timely maintenance support to the rehabilitated structures
Outcome Irrigated agriculture and access to markets restored	By 2018 48,280 ha of flood-affected irrigable area of traditional schemes brought back to production (2014 baseline = 0 ha) By 2018 16,500 ha of flood-affected irrigable area of formal schemes brought back to production (2014 baseline = 0 ha)	PPMS and project completion survey PPMS and project completion survey	Risk Deteriorating security prevents growth in agricultural productivity
Outputs 1. Selected flood-damaged infrastructure rehabilitated	By 2018, in MRRD project areas: 500 km of canals of traditional schemes reconstructed (2014 baseline = 0) 6 km of retaining walls of traditional schemes reconstructed (2014 baseline = 0) 700 intakes of traditional schemes reconstructed (2014 baseline = 0) 20 small dams reconstructed (2014 baseline = 0) 946 km of rural roads reconstructed (2014 baseline = 0) 128 bridges reconstructed (2014 baseline = 0) By 2018, in MEW project areas 154 culverts of formal schemes reconstructed (2014 baseline = 0) 22 km of canals of formal	PPMS PPMS PPMS PPMS PPMS PPMS PPMS	Risk Deteriorating security hinders design or civil works

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	schemes reconstructed (2014 baseline = 0) 6 intakes and/or weirs of formal schemes reconstructed (2014 baseline = 0)	PPMS	
2. Project management	By 2018, contracts are awarded and completed on time and within contingencies By 2018, quarterly progress reports, annual reports, audit reports are submitted within 4 weeks of due date	Quarterly and annual progress reports Quarterly, annual progress and audit reports	
Activities with Milestones 1. Selected flood damage infrastructure rehabilitated 1.1 Design and approve community subprojects (MRRD) (Nov 2014–Dec 2015) 1.2 Sign contracts with CDCs (MRRD) (Dec 2014–Feb 2016) 1.3 CDCs construct civil works (MRRD) (Jan 2015–Aug 2017) 1.4 Monitor implementation (MRRD) (Feb 2015–Aug 2017) 1.5 Design and approve community subprojects (MEW) (Jan 2015–Oct 2015) 1.6 Sign contracts with CDCs (MEW) (Feb 2015–Nov 2015) 1.7 CDCs construct civil works (MEW) (Mar 2015–Aug 2017) 1.8 Bidding, bid evaluation and award of contracts (MEW) (Jan 2015–Jun 2015) 1.9 Sign contracts, issue notices to commence (MEW) (Mar 2015–Aug 2015) 1.10 Construct civil works (MEW) (Jun 2015–Apr 2017) 1.11 Monitor implementation (MEW) (July 2015–Apr 2017) 2. Project Management 2.1 Recruit PMU & PIU staff (Sep 2014–Jan 2015) 2.2 Recruit International consultants (Sep 2014–Jan 2015) 2.3 Recruit national supervision consultants (Sep 2014–Jan 2015) 2.4 Establish PPMS (Nov 2014–Jan 2015) 2.5 Recruit auditors (Jan 2015–April 2015) 2.6 Train village construction supervisors (Apr 2015–Dec 2015) 2.7 Monitor project activities (Jun 2015–Aug 2017) 2.8 Submit PPMS monitoring reports regularly (Jun 2015–Aug 2017) 2.9 Undertake project completion survey (Mar 2017–Aug 2017) 2.10 Prepare project completion report (Sep 2017–Mar 2018)			Inputs Grant ADB (ADF): \$40 million AITF: \$16.66 million Government: \$0.58 million

ADB = Asian Development Bank, ADF = Asian Development Fund, AITF = Afghanistan Infrastructure Trust Fund, CDC = community development council, ha = hectares, MEW = Ministry of Energy and Water, MRRD = Ministry of Rural Rehabilitation and Development, PIU = project implementation unit, PMU = project management unit, PPMS = project performance management system.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://adb.org/Documents/RRPs/?id=48326-001-2>

1. Grant Agreement: Special Operations
2. Grant Agreement: Externally Financed
3. Project Administration Manual
4. Sector Assessment (Summary): Multisector (Sector Rehabilitation Needs)
5. Contribution to the ADB Results Framework
6. Cost Estimates
7. Summary Poverty Reduction and Social Strategy
8. Environmental Assessment and Review Framework
9. Development Coordination
10. Country Economic Indicators
11. Risk Assessment and Risk Management Plan

Supplementary Documents

12. Disaster Risk Management Overview
13. ADB-Supported Projects in the Formal Irrigation Sector