



Report and Recommendation of the President to the Board of Directors

Project Number: 50062-001
October 2016

Proposed Grant Islamic Republic of Afghanistan: Road Asset Management Project

Distribution of this document is restricted until it has been approved by the Board of Directors. Following such approval, ADB will disclose the document to the public in accordance with ADB's Public Communications Policy 2011 after excluding information that is subject to exceptions to disclosure set forth in the policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 7 October 2016)

Currency unit – afghani (AF)

AF1.00 = \$0.01517

\$1.00 = AF65.89

ABBREVIATIONS

ADB	–	Asian Development Bank
MOF	–	Ministry of Finance
MPW	–	Ministry of Public Works
NRAP	–	National Rural Access Program
O&M	–	operation and maintenance
PAM	–	project administration manual
PMO	–	program management office
RAMS	–	road asset management system

NOTE

In this report, “\$” refers to US dollars.

Vice-President	W. Zhang, Operations 1
Director General	S. O’Sullivan, Central and West Asia Department (CWRD)
Director	X. Yang, Transport and Communications Division, CWRD
Team leader	W. Tawisook, Principal Transport Specialist, CWRD
Team members	S. Ahmadzai, Associate Project Analyst, CWRD F. Banai, Operations Assistance, CWRD S. Campbell, Senior Social Development Specialist, CWRD B. Debnath, Principal Social Development Specialist, CWRD N. Djenchuraev, Senior Environment Specialist, CWRD N. Mohibi, Senior Project Officer (Transport), CWRD D. Perkins, Senior Counsel, Office of the General Counsel N. Rive, Climate Change Specialist, CWRD K. Sakamoto, Transport Economist, CWRD A. Silverio, Senior Operations Assistant, CWRD
Peer reviewer	R. Phelps, Principal Infrastructure Specialist, Pacific Department

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

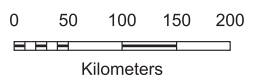
CONTENTS

	Page
PROJECT AT A GLANCE	
MAP	
I. THE PROPOSAL	1
II. THE PROJECT	1
A. Rationale	1
B. Impact and Outcome	3
C. Outputs	3
D. Investment and Financing Plans	3
E. Implementation Arrangements	4
III. DUE DILIGENCE	5
A. Technical	5
B. Economic and Financial	6
C. Governance	6
D. Poverty and Social	7
E. Safeguards	7
F. Risks and Mitigating Measures	8
IV. ASSURANCES	8
V. RECOMMENDATION	9
APPENDIXES	
1. Design and Monitoring Framework	10
2. List of Linked Documents	11

PROJECT AT A GLANCE

1. Basic Data		Project Number: 50062-001	
Project Name	Road Asset Management Project	Department /Division	CWRD/CWTC
Country Borrower	Afghanistan, Islamic Republic of Afghanistan, Islamic Republic of	Executing Agency	Ministry of Finance
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Transport	Road transport (non-urban)		25.50
		Total	25.50
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
Environmentally sustainable growth (ESG)	Eco-efficiency		
Regional integration (RCI)	Pillar 1: Cross-border infrastructure		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Civil society participation	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Organizational development		
Partnerships (PAR)	Application and use of new knowledge solutions in key operational areas		
Private sector development (PSD)	International finance institutions (IFI) Official cofinancing Promotion of private sector investment		
5. Poverty and SDG Targeting		Location Impact	
Project directly targets poverty and SDGs	No	Regional	High
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: C Involuntary Resettlement: C Indigenous Peoples: C		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		25.50	
Sovereign Project grant: Asian Development Fund		25.50	
Cofinancing		0.00	
None		0.00	
Counterpart		0.50	
Government		0.50	
Total		26.00	
9. Effective Development Cooperation			
Use of country procurement systems			No
Use of country public financial management systems			No

AFGHANISTAN ROAD ASSET MANAGEMENT PROJECT



- National Capital
 - Provincial Capital
 - City/Town
 - Airport
 - Project Road
 - ADB Completed Project Road
 - ADB Ongoing Project Road
 - Feasibility study financed by ADB
 - Railway Feasibility
 - National Road
 - National Road (unpaved)
 - Other Road
 - Railway
 - River
 - Provincial Boundary
 - International Boundary
- Boundaries are not necessarily authoritative.
ADB = Asian Development Bank

This map was produced by the cartography unit of the Asian Development Bank. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of the Asian Development Bank, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries, colors, denominations, or information.

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed grant to the Islamic Republic of Afghanistan for the Road Asset Management Project.
2. The proposed grant will finance priority maintenance works for part of Afghanistan's regional highway sections from Kabul to Ghazni and from Kabul to Jalalabad, which are the economic lifeline of the country's eastern region. The project will include a capacity development component to introduce sustainable road management practices, specifically in road asset management and road maintenance.

II. THE PROJECT

A. Rationale

3. Prolonged conflict has devastated Afghanistan's economy by destroying the minimal economic infrastructure and institutions that the country once possessed and driving more than 2.5 million Afghans away from their homes and livelihoods. Since the fall of the Taliban regime, the country has received billions of dollars in international assistance, which has dramatically boosted the country's gross domestic product to more than \$20 billion—five times higher than in 2002. However, the country is still at the very beginning of recreating an economy that can address the needs of its people. Afghanistan requires stable and sustainable economic development. To this end, and with donor support, the Government of Afghanistan has developed a range of policies and strategies, not all of which have been successfully implemented. The 2008–2013 Afghanistan National Development Strategy,¹ the country's first strategy paper for poverty reduction, has set the context for rebuilding the country by (i) addressing poverty through private sector-led equitable economic growth and (ii) exploiting the economy's growth potential.

4. Afghanistan's fragile and conflict-affected situation has also heavily damaged its roads. By 1994, around 80% of the 42,000-kilometer (km) network was in a poor state of repair, and road conditions deteriorated further until 2002, when major reconstruction programs were begun. The government focused on reconstructing damaged or destroyed roads, as well as rehabilitating roads that had fallen into disrepair due to a prolonged lack of maintenance. A massive multinational reconstruction and development effort to rebuild Afghanistan's infrastructure has been underway since 2002, and nearly 8,000 km of roads have been reconstructed or rehabilitated. While the government and development partners have focused on reconstruction, the sustainability of past investments has resurfaced as a major sector issue. According to the ongoing Asian Development Bank (ADB) study for operation and maintenance (O&M), 85% of the road network is in poor condition, and only 50% is serviceable year-round condition.

5. Financial and institutional sustainability are some of the main challenges facing roads network O&M in Afghanistan. The Ministry of Public Works (MPW) has so far been unable to fully implement various approaches proposed in the 2006–2013 O&M strategy.² The lack of policies pertaining to road user charges and O&M financing further complicates these challenges, both financially and institutionally. Afghanistan is not expected to be financially self-reliant in the interim. Institutional O&M challenges include organizational and human resource issues. Organizationally, the mandates of the different organizations responsible for the road

¹ Government of Afghanistan. 2008. *Afghanistan National Development Strategy*. Kabul.

² Government of Afghanistan. 2006. *Operation and Maintenance Strategy*. Kabul.

network must be properly delineated. Functionally, the MPW lacks the specialized system to ensure adequate and accountable operations. A tool for planning and managing roads O&M at the national level does not exist. The scattered bits and pieces of this system must be integrated and properly developed to enable the systematic planning and management of roads O&M.

6. Realizing the importance and seriousness of the issue, development partners since 2011 have started to pay attention to roads O&M and been able to contribute to \$150 million. The donors' primary efforts include the Road Sector Sustainability Program (RSSP) of the United States Agency for International Development and the World Bank's National Rural Access Program (NRAP). Under the \$109 million Road Sector Sustainability Program, short- and long-term plans have been jointly agreed upon by the government and development partners. In the short term, a 5-year transfer process has been defined, with roads O&M funded by donor contributions in the first year and by road user fees in the fifth and final year. In the long term, three autonomous entities—a road authority, road fund, and transportation institute—will be created to ensure sector sustainability. The road authority will manage road development and maintenance; the road fund will provide sustainable financing for roads O&M; and the transportation institute will train Afghan professionals and build their capacity in transport engineering. Apart from road development, the \$332 million NRAP also allocated (i) \$21 million for routine and periodic maintenance of paved and unpaved secondary roads, and (ii) \$1.5 million for a road network inventory.

7. The proposed project aims to (i) initiate establishment of a sustainable road maintenance system for the country's major highways and (ii) develop the MPW's O&M capacity. The project's two major components are road maintenance and road asset management system (RAMS). The road maintenance component will implement RSSP's short-term plan, which requires donor contributions in its early years before the road fund and road authority are established and fully functional. Two sections of the national highways, namely (i) Kabul–Jalalabad highway (excluding the section under pilot subproject section),³ and (ii) the Kabul–Kandahar highway from Kabul to Ghazni, were selected for maintenance due to their economic and strategic importance. The Kabul–Jalalabad highway, the busiest intercity highway in Afghanistan with the annual average daily traffic (AADT) of 5,515 vehicles, is one of the nation's economic lifelines. The Kabul–Ghazni section is part of the strategic national ring road. The pavement condition of the two road sections comprises different degrees of deterioration, with the international roughness index (IRI) of 8–10, due to the fact that maintenance has been provided mostly on ad-hoc basis. The RAMS component will develop a RAMS as a primary decision-support tool to help the MPW plan and manage road O&M. This will build on previous efforts, especially the road network inventory developed under the World Bank's NRAP. A proper asset management system will help the MPW ensure objective planning and improve road serviceability, and cost-effectiveness utilization of the available resources.

8. The fragile and conflict-affected states approach will be adopted to ensure the project's smooth and successful implementation.⁴ This will attract funds from other development partners to support future roads O&M through the ADB-managed Afghanistan Infrastructure Trust Fund.

³ ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility to Afghanistan for the Transport Network Development Investment Program, Tranche 4*. Manila. A pilot subproject for road maintenance was launched under Tranche 4 to provide periodic maintenance for a 50 km section of the Kabul–Jalalabad highway from Kabul to Surubi. The pilot subproject aims to (i) assess the MPW's overall O&M capacity, and (ii) develop a methodology that best suits the Afghan context and will be used in future roads O&M projects. The maintenance works include overlay in some sections, pothole patching, crack sealing, surface sealing, mill and fill, and roadside maintenance.

⁴ ADB. 2016. *Afghanistan: Enhanced Project Delivery Approach Paper*. Manila.

Financing of the second project is envisaged to be considered through the additional financing modality if this project is being implemented well and bringing the results and sustainability to the country's road asset management system.

9. The project is fully consistent with the government's transport strategy and development plans (footnotes 1 and 2), and will help achieve the results of the country partnership strategy, 2009–2013 and interim country partnership strategy, 2014–2015.⁵ The project is also included in the country operations business plan 2016–2018. The project is also consistent with the Central Asia Regional Economic Cooperation Transport and Trade Facilitation Strategy 2020⁶ and will contribute to achieving goals 3 (good health and well-being) and 9 (industry, innovation, and infrastructure) of the Sustainable Development Goals.

B. Impact and Outcome

10. The project impact is aligned with increased sustainability of the Afghanistan's road transport sector. The outcome will be improved road connectivity and safety.

C. Outputs

11. The outputs will be (i) national highways in the southeastern region maintained, and (ii) O&M and road asset management capacity enhanced.

12. Two sections of the national highways (para. 7), a total of approximately 220 km, will be maintained. The methodology used for the pilot subproject (footnote 3) will be adopted for the maintenance work. It is expected that the maintenance will improve the IRI to 4-5. The proposed RAMS's activities include the design, development, and trial deployment of the system. This includes the proper design and harmonization of the existing geographic information system databases to combine them into one database under the MPW to support the use of the RAMS as a sound decision-support tool to plan and manage roads O&M. Adequate information and communication technology infrastructure, including equipment and a single network that covers both within the MPW and between the MPW and its provincial offices, will be provided. Finally, classroom and on-the-job training using the RAMS will be provided to enhance the technical capacity of MPW staff in all aspects of the system.

D. Investment and Financing Plans

13. The project is estimated to cost \$26.0 million, including taxes, duties, and contingencies (Table 1).

⁵ ADB. 2008. *Country Partnership Strategy: Afghanistan, 2009–2013*; and ADB. 2014. *Interim Country Partnership Strategy: Afghanistan, 2014–2015*. Manila.

⁶ ADB. 2014. *CAREC Transport and Trade Facilitation Strategy, 2020*. Manila.

Table 1: Project Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Road Maintenance	16.0
2. Road Asset Management	7.5
Subtotal (A)	23.5
B. Contingencies^c	2.5
Total (A+B)	26.0

^a Includes taxes and duties of approximately \$1.7 million to be financed from Asian Development Fund sources.

^b In mid-2016 prices.

^c Physical contingencies computed at 10% for civil works and 3% for consultancy services. Price contingencies computed at 2.5% on foreign exchange costs and 5.5% on local currency costs, including a provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Source: Asian Development Bank estimates.

14. The government has requested a grant not exceeding \$25.5 million from ADB's Special Funds resources⁷ to help finance the project. ADB funding for the project includes the financing of taxes and duties.⁸ ADB financing of project taxes and duties is justified because (i) the amount will not be an excessive share of the project investment plan, and (ii) the financing of taxes and duties is material and relevant to the project's success. This is in line with ADB's *Operations Manual*.⁹ The World Bank also follows this practice in Afghanistan. The financing plan is in Table 2. The detailed cost estimates by expenditure category and financier are in the project administration manual (PAM).¹⁰

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Special Funds resources (grant)	25.5	98.1
Government	0.5	1.9
Total	26.0	100.0

Source: Asian Development Bank estimates.

E. Implementation Arrangements

15. The MOF will be the executing agency, and the MPW through the program management office (PMO) will be the implementing agency. Quality assurance and control of the maintenance work will be carried out by a team comprising MPW engineers and national consultants under the supervision of the road maintenance expert engaged under the RAMS component. Procurement financed by the ADB grant will be undertaken in accordance with

⁷ A country's eligibility for Asian Development Fund grants under the revised grant framework is determined by its risk of debt distress. The latest debt sustainability analysis determined that Afghanistan had a high risk of debt distress and was therefore eligible to receive 100% of its Asian Development Fund allocation as grants.

⁸ Taxes and duties costs include the business receipt tax estimated at 7%, the fixed tax on imports of 2%–7%, and customs duties of 2.5%–16.0%. These costs 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.

⁹ ADB. 2012. *Cost Sharing and Eligibility of Expenditures for ADB Financing. Operations Manual*. OM H3/BP. Manila.

¹⁰ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

ADB's Procurement Guidelines (2015, as amended from time to time). Additional financing may be considered if the project performs well.

16. The implementation arrangements are summarized in Table 3 and described in detail in the PAM.

Table 3: Implementation Arrangements

Aspects	Arrangements		
Implementation period	January 2017–June 2020		
Estimated completion date	30 June 2020		
Grant closing date	31 December 2020		
Management			
(i) Executing agency	Ministry of Finance		
(ii) Implementing agency	Ministry of Public Works		
(iii) Implementation unit	Project management office, 35 staff		
Procurement	International competitive bidding (road asset management system)	1 contract	\$6.0 million
	National competitive bidding (civil works)	5 contracts	\$15.0 million
Consulting services	Individual consultants	370 person-months (130 international, 240 national)	\$2.5 million
Retroactive financing and/or advance contracting	NA		
Disbursement	The grant proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time) and detailed arrangements agreed upon between ADB and the Government of Afghanistan.		

ADB = Asian Development Bank, NA = not applicable.

Source: Asian Development Bank.

III. DUE DILIGENCE

A. Technical

17. The condition survey of the project roads, including quantities and cost estimates, is being carried out by a team of local engineers with the support of the MPW's O&M department. This condition survey is financed under the capacity development component of the Transport Network Development Investment Program Tranche 4 (footnote 3) and is expected to be completed in December 2016. The detailed maintenance and repair methodology is based on the original methodology developed for the pilot O&M subproject. After a thorough assessment by the RAMS consultants, the RAMS database will be built up from the inventory being conducted under the NRAP financed by the World Bank. The major cost of the RAMS is envisaged to be the system's hardware, which must have adequate capacity to support the software and database.

18. Preliminary climate risk screening shows that the project's climate change risk is medium. The project scope only includes the partial overlay and repair of pavement.

Nevertheless, the development of awareness of climate risks and knowledge of mitigation measures for the road project design will be considered under the RAMS component.

B. Economic and Financial

19. The project will help achieve the envisaged benefits of the improved transport corridor, including lower transport costs and shorter travel times. The economic evaluation of the project was undertaken using ADB's Guidelines for the Economic Analysis of Projects¹¹ and following the analytical framework of the highway development and management model.¹² The traffic forecast is based on traffic counts conducted on the project road in early 2015. Based on the 2015 average daily traffic volume, annual normal traffic growth is forecast at 3% for 2016–2035. Project costs and benefits are calculated based on a comparison of with- and without-project scenarios. The economic costs are capital cost, including physical contingencies, but excluding taxes and O&M. The economic benefits are vehicle operating cost savings resulting from the improved project road and time savings. The economic analysis showed that the project is economically feasible with a high estimated economic internal rate of return of 33.4%. This confirms past ADB experience with maintenance projects, which are known to generate high economic returns. Sensitivity tests confirmed that the project would remain feasible should the envisaged project costs increase or benefits be reduced. No financial analysis was undertaken because the project road will not generate revenue.

20. The proposed project addresses the two financial sustainability concerns: the lack of an effective O&M regime, and a chronic shortage of funds for O&M. Government funding for maintenance is unlikely to meet the requirements to preserve the value of the road assets. The government would have to raise more than \$200 million to meet the annual maintenance needs of its core road network. Given the country's narrow economic base and competing needs on scarce budget resources, Afghanistan will have to rely on donor contributions to finance road maintenance for the foreseeable future. Increased funds for O&M are necessary, although not sufficient, to ensure road asset sustainability. The government was able to collect \$83 million recently through road user fees and taxes, more needs to be done. A RAMS to provide a rigorous framework for managing future maintenance will be developed in conjunction with the project.

C. Governance

21. Governance risks are a major challenge in Afghanistan. The project has been designed to mitigate these risks, especially in the areas of financial management and procurement. An updated financial management assessment of the MPW and its PMO took into consideration their overall capacity, including funds-flow arrangements, governance, staffing, budgeting, accounting and financial reporting systems, internal control procedures, financial information systems, and internal and external auditing arrangements. This assessment found that, from a financial management perspective, the overall control risk is moderate, and that the MPW and PMO have adequate experience and capacity in financial management to manage the project funds as well as adequate fund flow, accounting, and budgeting arrangements. The 2015 restructuring of the PMO has significantly improved its overall capacity. The PMO's finance department staff includes a manager, five accountants, and a trainee. The MPW conducts internal audits periodically annual external audits have yielded satisfactory results since ADB's engagement with the MPW in 2003. The MPW is responsible for ensuring an adequate audit

¹¹ ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila.

¹² World Road Association. 2002. *Highway Development and Management Model-4 Version 2*. Paris.

trail, for which annual financial statements are audited by an independent auditor acceptable to ADB in accordance with auditing standards.

22. Improvement is needed in the areas of accounting policies and procedures, and reporting and monitoring. In the area of accounting policies and procedures, the PMO has been using a manual book accounting approach, which is being outperformed by modern accounting software. In the area of reporting and monitoring, the PMO has demonstrated capacity to monitor and report project finances based on ADB requirements. However, some delays in the submission of audited project financial statements have occurred. Thus, the updated financial management assessment recommended that (i) modern accounting software be procured and installed as soon as possible so that the relevant PMO staff can be trained in its use; and (ii) an international financial management specialist be recruited to help PMO staff conduct financial management, ensuring that the audited project financial statements are submitted in a more timely manner. Financial management risks and risk mitigation measures will be reviewed and updated throughout the project's life.

23. All goods and works will be procured in accordance with ADB's Procurement Guidelines (2015, as amended from time to time). The government requested and ADB agreed to manage the RAMS component, procure the RAMS, and recruit the consultants. This will ensure the transparency of the procurement process and mitigate the risk of delays, especially of the RAMS component of which most activities are on the implementation plan's critical path. The MPW will remain responsible for negotiating and signing the contracts, issuing the notice to proceed, and supervising the contracts. The specific policy requirements and supplementary measures are described in the PAM (footnote 10).

24. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government, MOF, and MPW. The specific policy requirements and supplementary measures are described in the PAM.

D. Poverty and Social

25. The poverty and social assessment conducted for the project revealed the extent of poverty in the country, including, among other factors, (i) a high rate of food insecurity affecting one-third of the population, (ii) a lack of access to improved water resources, and (iii) limited access to education and health services. The gender assessment revealed high maternal and infant mortality rates, limited mobility of women compared to that of men and overall low status of women. While the project's long-term impact is expected to improve women's physical access to education, health, and other services by shortening travel times and making roads safer, these benefits are indirect. The project will ensure equal pay to work for both men and women. The project is categorized as *no gender elements*.

E. Safeguards

26. All three safeguard categories are categorized as C since (i) no land acquisition or involuntary resettlement is required, as the maintenance work will be carried out within the right of way of existing roads; (ii) no indigenous peoples, as defined by ADB for operational purposes, live within the project area; and (iii) the environmental impact will be minimal, and will not require a related action. Thus, no land acquisition and resettlement plan, indigenous peoples plan, or initial environment assessment and environmental monitoring plan will be required.

F. Risks and Mitigating Measures

27. The major residual risk is political stability of the country, which has induced security threats to development operation. With the proposed mitigation measures, the overall risk assessment is moderate, while the integrated benefits and impacts are expected to outweigh costs. Major risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.¹³

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigating Measures
Implementation of periodic maintenance has been limited by weak capacity and inadequate budget flows, resulting in unsustainability of road maintenance	Development partners are helping the government to create a road authority, road fund, and transportation institute. The project and RAMS will improve O&M planning and management, thus making budget use more efficient
Political instability across the country	Civil works will be procured in small NCB contract packages that aim to engage local Afghan contractors in the project area.
Weak implementing agency	The PMO's capacity will be strengthened following its restructuring in 2015. The guidelines and procedures outlined in the PAM and ADB's <i>Operations Manual</i> will be strictly adhered to.
Prolonged bid evaluation by the government; consultant recruitment takes significant time	Small NCB contract packages and single-stage, one-envelope bidding procedure will be used for civil works. ADB will procure the ICB package (RAMS), and will select consultants on behalf of the executing and implementing agencies.
Prevalent corruption at the country level	ADB will select consultants and procure the RAMS. The FCAS approach will be used where applicable.
Delayed submission of audit reports	The TORs of auditors are strengthened to ensure audit reports submitted on a schedule agreed upon with ADB.

ADB = Asian Development Bank, FCAS = fragile and conflict-affected state, ICB = international competitive bidding, NCB = national competitive bidding, O&M = operation and maintenance, PAM = project administration manual, PMO = project management office, RAMS = road asset management system, TOR = terms of reference.

Source: Asian Development Bank.

IV. ASSURANCES

28. The government, MOF, and MPW have assured ADB that the project's implementation 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 loan documents.

29. The government, MOF, and MPW have agreed with ADB on certain covenants for the project, which are set forth in the grant agreement.

¹³ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

V. RECOMMENDATION

30. I am satisfied that the proposed grant would comply with the Articles of Agreement of the Asian Development Bank (ADB) and, acting in the absence of the President, under the provisions of Article 35.1 of the Articles of Agreement of ADB, I recommend that the Board approve the grant not exceeding \$25,500,000 to the Islamic Republic of Afghanistan from ADB's Special Funds resources for the Road Asset Management Project, on terms and conditions that are substantially in accordance with those set forth in the draft grant agreement presented to the Board.

Stephen P. Groff
Vice-President

7 October 2016

DESIGN AND MONITORING FRAMEWORK

Impact the Project is Aligned with Increased sustainability of Afghanistan's road transport sector (Afghanistan's O&M Strategy 2006) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Improved road connectivity and safety	By 2020 a. Average travel time from Kabul to Ghazni Road reduced to 2.2 hours (2016 baseline: 2.5 hours) b. Number of accidents on the two project road reduced to 1,250 per year (2016 baseline: 1,760 accidents)	Post-implementation report of the MPW as endorsed by the Government of Afghanistan	Political instability and a deteriorated security situation within the country
Outputs 1. National highways in the southeastern region maintained 2. O&M and road asset management capacity enhanced	1. Periodic maintenance of approximately 220 km of national highways completed by 2020 2a. Road asset management system established in the MPW by 2018 2b. At least 30 MPW engineers trained in roads O&M and road asset management by 2019	1. MPW monitoring and completion reports 2a. Consultant's report as endorsed by the government 2b. Post evaluation report of training participants endorsed by the MPW	Weak capacity of PMO due to possible turnover of its staff during implementation
Key Activities with Milestones			
<p>1. National highways in the southeastern region maintained</p> <p>1.1 Road condition survey completed by December 2016 1.2 Procurement of civil works for maintenance completed by December 2017 1.3 Road maintenance works completed by June 2020</p> <p>2. O&M and road asset management capacity enhanced</p> <p>2.1 Consultants recruited by June 2017 2.2 Road asset management system established by September 2018 2.3 Capacity of MPW staff in road O&M and road asset management enhanced by September 2019</p>			
Inputs ADB: \$25,500,000 (ADF grant) Government: \$500,000			
Assumptions for Partner Financing Not Applicable			

ADB = Asian Development Bank, km = kilometer, MPW = Ministry of Public Works, O&M = operation and maintenance.

^a Government of Islamic Republic of Afghanistan. 2006. *Operation and Maintenance Strategy*. Kabul.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=50062-001-2>

1. Grant Agreement
2. Sector Assessment (Summary): Road Transport
3. Project Administration Manual
4. Contribution to the ADB Results Framework
5. Development Coordination
6. Economic and Financial Analysis
7. Country Economic Indicators
8. Summary Poverty Reduction and Social Strategy
9. Risk Assessment and Risk Management Plan

Supplementary Document

10. Financial Management Assessment Report