



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 13-Oct-2018 | Report No: PIDISDSA23536



BASIC INFORMATION

A. Basic Project Data

Country Afghanistan	Project ID P160619	Project Name Cities Investment Program	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Appraisal Date 29-Oct-2018	Estimated Board Date 18-Dec-2018	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Independent Directorate for Local Governance - Deputy Ministry of Municipalities	

Proposed Development Objective(s)

The Program Development Objective (PrDO) is to improve the sustainability and livability of nine regionally-balanced Provincial Capital Cities (PCCs).

The Project Development Objective (PDO) for the first in a Series of Projects (SOP I) is to introduce sustainable municipal finance and management systems and rehabilitate municipal infrastructure in five participating PCCs.

The PDO for the second operation (SOP II) is to rollout sustainable municipal finance and management systems and expand municipal infrastructure and service coverage in nine participating PCCs.

Components

- Component 1: Rehabilitate and Expand Municipal Infrastructure Coverage
- Component 2: Strengthen the Municipal Finance Framework
- Component 3: Improve the Municipal Management Framework
- Component 4: Project Implementation Management

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	50.00
Total Financing	50.00
of which IBRD/IDA	25.00

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Financing Gap	0.00
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DETAILS

World Bank Group Financing

International Development Association (IDA)	25.00
IDA Grant	25.00

Non-World Bank Group Financing

Trust Funds	25.00
Afghanistan Reconstruction Trust Fund	25.00

Environmental Assessment Category

B-Partial Assessment

Have the Safeguards oversight and clearance functions been transferred to the Practice Manager? (Will not be disclosed)

Yes

Decision

The review did authorize the team to appraise and negotiate

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Other Decision (as needed)

B. Introduction and Context

Country Context

XX. **With GDP per capita of \$590 in 2017, Afghanistan is one of the poorest countries in the world, and economic growth and welfare have been deteriorating over the past 5 years.** Since 2011, the share of population living below the national poverty line has increased from 38.3 to 54.5 percent,¹ mirroring the stagnation in economic growth,² increasing demographic pressures and growing insecurity over this period. Afghanistan faces a challenging security situation that diverts scarce fiscal resources from productive investments and forces it to be highly aid dependent. Continued violent unrest dramatically increased civilian casualties to unprecedented levels in 2017, while dampening the prospects for private investment. Despite the above circumstances, real GDP

¹ In 2016/17, the national poverty line was 2064 AFN per capita per month, roughly equivalent to USD 1 per person per day in exchange rater terms.

² Per capita GDP has fallen by \$100 since 2012.



experienced modest growth from 2.2 percent in 2016 to 2.6 percent in 2017. The country's fiscal position also remains relatively strong: the Government achieved a balanced budget in 2017 with revenue performance improving to 11.9 percent in 2017, up from 8.5 percent in 2014. However, revenues still represent only 10.5 percent of GDP and the country faces pressing challenges such as enhancing public service delivery, creating jobs, improving incomes, and most importantly, strengthening institutional capacities³. Going forward, Afghanistan will need to sustain its efforts aimed at increasing revenue mobilization, while maximizing the growth impact of its fiscal expenditures.

XX. **Afghan cities are a driving force of social and economic development and state-building with a potential that remains untapped.** The country is experiencing an urban transition that can be leveraged to promote economic growth. Today an estimated 8 million people (25 percent of total population) live in cities and it is projected that half the country's population will reside in urban areas by 2060. Urban-based economic activities in Afghan cities, such as the growing services sector, represent a significant source of economic and social development in the country. While services account for over 50 percent of national GDP, agriculture has declined to only 25 percent from double that amount 15 years ago. Rapid urban growth, estimated at 4.7 percent per annum (2010-2015)⁴, is high by international standards and is driven more by "push" than "pull" factors. That is, immigration is propelled by the influx of Internally Displaced Persons (IDPs), returning refugees (an estimated 800,000 in 2016 alone), conflict, and drought-induced migration, rather than being motivated by economic opportunities in Afghan cities. Unclear mandates, weak governance structures, and inadequate financing, among other factors, have crippled Afghan cities and prevented them from fulfilling their potential as engines of economic growth to date.

XX. **Urban development is becoming increasingly important for welfare.** Between 2011 and 2016/17, urban poverty become more widespread, with the number of urban poor more than doubling since 2007, and consequently, 18 percent of Afghanistan's poor now live in urban areas. These estimates are likely to be on the lower side, as official urban classifications in surveys have not been revised in line with changing settlement patterns. The increase in urban poverty since 2011 was concentrated in Kandahar, Kabul, Herat, Balkh, and Kunduz. In 2016-17, these provinces together accounted for 80 percent of the urban poor, with Kabul alone accounting for about half of all urban poor. In part, this trend may be driven by Internally Displaced Persons (IDPs) and returnees turning to urban centers in search for security, jobs, and services. Of the 2.5 million Afghan returnees since 2015, half, regardless of when or from where they returned, have settled in urban areas. If this trend continues, the pressure on urban centers will likely increase.

XX. **According to the Global Climate Risk Index, Afghanistan ranks in the top fifth of countries with substantial climate change vulnerabilities.** The country is likely to be negatively affected by higher and more frequent extreme temperatures, drought, and higher frequency of precipitation and flooding anticipated in the western and central regions of the country. In areas affected by increased precipitation, there is a greater risk for urban flooding and landslides, particularly in informal settlements located in flood plains, embankments and hillsides. In areas expected to receive higher extreme temperatures and greater incidence of drought, the impact on agriculture may induce greater urban migration, and exacerbate existing violent conflicts. Current assessments by FAO and WFP indicate that as many as 20 of Afghanistan's 34 provinces are facing drought conditions. The project considers these vulnerabilities and their potential impact on urban service provision in the selected

³ Afghanistan Country Update, World Bank, April 2018.

⁴ CIA Factbook



municipalities, particularly as part of the Strategic Development Framework (SDF) analysis that will be carried out for participating municipalities. Already identified priority investments focus on improving road networks and developing storm water drainage systems to address flooding problems with infrastructure that can help urban areas adapt to climate change impacts.

Sectoral and Institutional Context

XX. **Afghanistan has 154 municipalities, of which 34 are designated as Provincial Capital Cities (PCCs).** The country's 34 Provincial Capitals are home to roughly one-third of the total population. While Kabul hosts 41 percent of the total urban population, the regional hubs of Herat, Mazar-i-Sharif, Kandahar and Jalalabad account for nearly 70 percent of the urban population in provincial capitals outside of Kabul. In addition to these five largest cities, eight trading and transit cities consisting of Lashkar Gah, Kunduz, Taluqan, Pul-i-Khumri, Sheberghan, Zaranj, Maimana, and Ghazni host sizable populations and are important regional economic and transit centers. At a lower scale, the 120 District Municipalities (DMs) play an important role in Afghanistan's system of cities and serve as the main urban centers in their respective rural districts. The Deputy Ministry of Municipalities (DMM) under the Independent Directorate of Local Governance (IDLG) is responsible for overseeing and guiding both the PCCs and DMs⁵.

XX. **Both PCCs and DMs are equally important for promoting balanced economic development in Afghanistan.** First, they both play an important economic role in connecting Afghanistan to neighboring countries, especially in terms of trade through a linear network of urban settlements linked to key border crossings. Second, they are important for the country's security, where a PCC is only safe when its surrounding DMs are also secure. Third, they are key links on the urban-rural continuum, playing an important role in the transit and marketing of agricultural goods, both within Afghan cities and outside the country. Fourth, DMs located near PCCs can play an important role in managing urbanization and promoting the orderly growth of PCCs.

XX. **Institutional arrangements for urban development and municipal management are in a state of flux.** An outdated and contradictory legal and regulatory framework is under review with the aim of updating and aligning institutional roles and mandates within the sector. An Urban Development Law was recently passed by Parliament (2017) that helps establish a hierarchy for planning, clarifying institutional roles, and defining specific tools and modalities to be used, and a draft Municipal Law intended to replace the 2000 version is in its final drafting stages. The draft Municipal Law stipulates greater responsibilities for local governments along with an incentive-based budget allocation from central government (i.e. Incentive Fund), streamlining and rationalizing functional responsibilities, and improving overall governance and efficiency in the sector. These legal reforms, coupled with the proposed direct election of mayors for the first time in 10 years, are expected to contribute to improvements in local service delivery and financial resources. However, these transitions in governance arrangements are often fraught with difficulties that can hold back progress and will be highly dependent on established rules and adopted frameworks that will enhance performance and facilitate an effective transition. The Cities Investment Program (CIP) captures the key principles underlying both the draft Municipal Law and the Urban Development Law and is designed to support their implementation.

⁵ Municipalities in Afghanistan Report, Deputy Minister Abdul Baqi Popal, Independent Directorate of Local Governance, Islamic Republic of Afghanistan, 30 June 2014.



XX. **Inability to keep pace with infrastructure investment needs is a critical challenge facing Afghan cities.** PCCs in Afghanistan face unprecedented economic, demographic, fiscal and environmental challenges. Around 70 percent of the country's urban households live in informal housing with only 15 percent having access to piped water. Urban road networks are dilapidated and chronically congested. Inadequate infrastructure has been a constant complaint of businesses voiced in recent surveys⁶. The rapidly widening infrastructure deficit has led to a reduction in the number of new businesses established in 2016 in comparison to 2012. Infrastructure deficits constraining business activities were reported to include road congestion, insufficient power and urban flooding. In addition, lack of serviced land for manufacturing was identified as being a critical obstacle to productive investments in the PCCs. The local economy needs reliable infrastructure to connect supply chains and efficiently move goods and services. Afghan cities need to invest in infrastructure and utility extensions that encourage economic growth either through the expansion of existing industrial areas, creating new ones, or providing infrastructure improvements to assist existing ones with business retention and expansion.

XX. **Cities are underfinanced.** Although intergovernmental transfers are the dominant source of revenues for subnational governments in most developing countries, Afghanistan remains among the very few where local governments receive little or no financial support from central government on a regular annual basis. Typically, revenue sharing formulas are established for nationally-administered VAT, fuel and other taxes, recognizing that economic activity that generates those tax revenues would not be possible without municipal infrastructure. The *safayi* tax (which is a key source of local own-source revenue for most municipalities)⁷ is essentially earmarked as a street cleaning and solid waste collection fee and does not cover the cost of municipal infrastructure capital investments. Recent efforts to address this fiscal discrepancy have been made through a modest US\$5 million and US\$7.5 million allocated by the central government in the last two budget years on a trial basis. However, rules governing the distribution of these resources have not been established, resulting in allocations that may not be equitable, transparent or could encourage moral hazard and the perverse incentive for municipalities to overspend when allocations are used as financial bailouts.

XX. **Urban development has been placed at the forefront of the Government's agenda.** In October 2016, the Government of the Islamic Republic of Afghanistan (GoIRA) issued its Afghanistan National Peace and Development Framework (ANPDF) for the period 2017-2021⁸, which serves as its overarching strategy for the next five years. ANPDF cites the important role of cities both as potential engines of economic growth and as hosts of incoming migrants. Citing its intent to hold direct mayoral elections in 2018, GoIRA sets three major goals for the sector: (i) creating networks of dynamic, safe, livable urban centers; (ii) turning urban centers into economic growth hubs that are cultural centers promoting social inclusion; and (iii) decentralizing urban planning and promoting participatory urban governance. Specific areas where the CIP supports the ANPDF objectives are: (i) strengthening local governments in areas related to financial management, including improvements in budget planning and execution, as well as improved expenditure and revenue management; (ii) promoting participatory planning through the implementation of Strategic Development Frameworks (SDFs) in participating PCCs aimed at informing the preparation of Municipal Strategic Plans by each city (as per draft Municipal Law); (iii) introducing a performance-based municipal finance scheme that rewards municipalities that meet national policy goals, i.e.

⁶ Doing Business in Afghanistan: A Survey of Sub-National Performance, 2017, and Economic Cluster Analysis: Study of Food Processing and Informal Manufacturing Activities in Kabul City, prepared by Altai Consulting for the World Bank, March 2015.

⁷ Municipal Governance and Finance Report, April 2015, background paper for the Afghanistan Urbanization Review, World Bank.

⁸ Afghanistan National Peace and Development Framework (ANPDF), 2017-2021, Government of Afghanistan, 2016.



increasing fiscal discipline, improved local revenue mobilization; and (iv) improving the quality of municipal infrastructure to enhance urban livability and service provision, including the efficiency of issuing building permits in participating PCCs

XX. **The World Bank has already initiated a structured engagement in the urban sector, in line with the Government of Afghanistan's recent emphasis on elevating its urban policy and programs.** The GoIRA's urban flagship program, the Urban National Priority Program (U-NPP), sets key objectives that are supported by the Bank's integrated and growing urban portfolio. The extent of urban challenges in Afghanistan calls for a programmatic Bank engagement that includes a mix of urgent interventions to address acute urban challenges, such as informality, while expanding in scale and time horizon to ensure institutional capacities are developed and well-sequenced reforms and investments build upon one another. As such, the ongoing *Kabul Municipal Development Project (KMDP)* provides immediate and geographically intensified support for urban upgrading in Afghanistan's capital city with the aim of achieving tangible results in addressing informality and urban poverty. The proposed *Cities Investment Program (CIP)* aims to achieve geographical balance by broadening impact beyond Kabul to nine cities through investments in priority and catalytic projects using performance-based financing. The *Urban Development Support Project (UDSP 2017-20)*, focuses on policy and institutional reforms in the sector, building the capacity of national regulatory agencies and updating key urban policies, while initiating strategic development planning at the local level in a structured and consultative manner. At the central level, both the *CIP* and the *UDSP* will inform the decentralization policy debate in the country by providing the analytical underpinnings and policy options.

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C. Proposed Development Objective(s)

Note to Task Teams: The PDO has been pre-populated from the datasheet for the first time for your convenience. Please keep it up to date whenever it is changed in the datasheet. **Please delete this note when finalizing the document.**

Development Objective(s) (From PAD)

The CIP Program Development Objective (PrDO) is to improve the sustainability and livability of nine regionally-balanced Provincial Capital Cities (PCCs).

The Project Development Objective (PDO) for the first in a Series of Projects (SOP I) is to introduce sustainable municipal finance and management systems and rehabilitate municipal infrastructure in five participating PCCs.

The PDO for the second operation (SOP II) is to rollout sustainable municipal finance and management systems and expand municipal infrastructure and service coverage in nine participating PCCs.

Key Results

XX. The proposed PDO-level results indicators are:

- Percent of surveyed project beneficiaries who rate municipal services satisfactory or better, disaggregated by gender
- Number of residents benefitting from project components, disaggregated by gender



- Number of PCCs meeting their planned budget improvement targets in prior fiscal year
- Percentage of municipalities meeting their OSR collection targets in the MMIPs.

D. Project Description

XX. **CIP, together with the ongoing KMDP and UDSP (and the anticipated EZ-Kar Project⁹), would provide a well-integrated and sequenced program of institutional development, training, and investment financing that are vital in supporting Afghanistan's urban development needs.** The UDSP is strengthening the institutional foundation for strategic development planning at the city level and enabling the preparation of a pipeline of municipal investments at five PCCs. As a follow-on operation, the CIP would be designed in two phases over a ten year implementation timeframe using the SOP instrument as follows: SOP I (\$50m, 5-years) would provide financing for priority investments in two cycles for five PCCs, while expanding SDF preparation to include four additional cities, and SOP II (\$150m, 5-years) would provide financing for catalytic investments in nine PCCs. In SOP I, CIP would set-up and mobilize the mechanism for performance-based financing for critical municipal investments. Both operations (i.e. UDSP and CIP) will work with national and local level institutions in accordance with their mandates. Building on the foundation set by the UDSP, the CIP would also rely on initial urban data collection under the UDSP and the analysis of disaggregated data on women and marginalized groups. SOP I would be implemented by IDLG over a five-year period and would have the following components:

XX. **Component 1: Rehabilitate and Expand Municipal Infrastructure Coverage (\$30 million).** This component would provide financing on a performance basis to support five participating PCCs (Herat, Jalalabad, Kandahar, Khost, and Mazar-e-Sharif) in the rehabilitation of urgently-needed basic municipal infrastructure, thereby improving city livability while generating tangible results on the ground. The PCCs will be responsible for identifying priority projects in consultation with their communities, participating in selection committees established to select contractors, monitoring contractor implementation of works in accordance with design specifications, and authorizing IDLG to make payments to contractors for completed portions of civil works in accordance with technical specifications. IDLG will be responsible for overseeing all procurement in accordance with the CIP Procurement Plan and procurement guidelines, as well as issuing payments to contractors upon confirmation by PCCs that payment terms have been met. The PPs would address the backlog of urgent infrastructure needs in each city, aimed at improving service delivery and livability and would consist of localized and small-scale interventions with limited and mitigatable environmental and social impacts. Project types would include, among others, the extension and upgrading of primary, secondary and tertiary municipal roads, storm water drainage, bridges, sidewalks and pedestrian walkways to improve urban mobility, bus stations, bus stops, street lighting, municipal markets and buildings, and social infrastructure facilities such as markets, public parks and green spaces. Financing will be allocated to the participating PCCs based on an allocation formula using

⁹ **Eshitghal Zaiee – Karmondana Project (EZ-Kar)** or Improving Economic Opportunities in Hosting Cities Project is a proposed World Bank Project under preparation and providing support to Afghan cities, towns and villages that are host communities of recent waves of forcibly displaced refugees through financing for small-scale investments and job creation schemes. Where the cities supported under EZ-Kar overlap with CIP, the nature of the investments will be complementary, as EZ-Kar will be focusing on urgent, district-level projects that create economic opportunities, while CIP focuses on the medium term with investments linked to urban plans, prioritized in Strategic Development Frameworks and where financing is dependent on meeting performance criteria. Under Component 4 of EZ-Kar, \$20 million will be provided to the cities of Herat, Jalalabad, Kandahar and Khost linked to improved performance in issuing construction permits.



population size and urban built-up area, which will serve as a proxy for development need. Women and disadvantaged groups will be specifically targeted for inclusion in consultation and selection processes for PPs with a minimum of one investment project targeting women.

XX. **Performance Grant Allocations for PP investment funding will be awarded against achievement of specific performance criteria in two cycles.** After the Project is declared effective, five participating PCCs will receive 5 percent of the formula-based allocation investment financing amount. The remaining portion of the financing for investments will be distributed in two budgetary cycles. Awards will be aligned with budgetary cycles in FY2019 (Cycle 1) and FY2021 (Cycle 2). Performance Allocations in the first cycle (45 percent of the overall financing allocation) will be awarded based on a participating PCC committing to prepare a Municipal Performance Improvement Plan (MPIP) signed between each PCC and IDLG. This will represent the "Condition of Entry." The "Conditions of Entry" will include, for example, a commitment to complete an Asset Inventory and Management Plan, a PP package of investments that are tender-ready and include at least one gender-focused investment, commitment to prepare a Revenue-enhancement Plan, and submission of financial reporting data from the prior three fiscal years, as further set out in Annex 2. Cycle 2, which will comprise 50 percent of the overall financing allocation under the Project, will be allocated once the MPIP is prepared by each participating PCC. The MPIP will set out a broad-based reform program where the municipality will need to establish the baseline and performance improvement targets against nine criteria, as set out in Annex 2. Upon receiving Cycle 2 financing (2021), each participating PCC will be actively working to improve their performance against targets set out in the MPIP by the end of CIP SOP I (2013). Meeting those targets will be the Entry Condition for SOP II, which will include more stringent performance criteria (Incentive Triggers) and will be awarded on a prorated basis in accordance with the percentage of performance criteria that are met. This will include documented evidence of meeting MPIP targets relating to OSR collection, improved budgetary planning, among other criteria as set in Annex 2. Awards will be determined by the Working Group (WG) against the performance criteria established in advance of each cycle. The WG will determine the city allocation for any remaining unallocated funds. This tiered and progressively challenging performance structure is designed to allow sufficient time for municipalities to benefit from capacity building training and tools that will be custom-designed and developed to suit their unique circumstances and enable them to meet their performance targets for improvement. A positive list of Priority Projects is set out below:

Table XXX: SOP I Priority Project Positive List

Buildings and Public Spaces	Road and Traffic Management	Streetscape Improvements
<ul style="list-style-type: none"> • Greening of open spaces • Reforestation of new/existing public parks and women’s public parks • Restoration of public markets and women’s markets with resource efficient materials and designs 	<ul style="list-style-type: none"> • Paving of flood-prone primary and secondary streets • Construction of/ improvements to infrastructure for improving market accessibility, connectivity • New/rehabilitated bus stops/stations 	<ul style="list-style-type: none"> • New/restored storm water drainage canals • Solar powered/energy efficient street lighting • Sidewalk and pedestrian crossings

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<ul style="list-style-type: none"> • Small scale restoration of historic/cultural sites • Rehabilitation of toilet and storage facilities for markets including cold storage and warehousing facilities 	<ul style="list-style-type: none"> • Traffic management systems and signaling and calming • Parking facilities 	
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XX. **Component 2: Strengthen the Municipal Finance Framework (US\$2 million).** In line with the draft Municipal Law, this component will support GoIRA and 9 participating PCCs in building municipal capacity for improved own source revenue (OSR) collection and design of a system for performance-based fiscal allocations as stipulated in the draft Municipal Law. The Component will be implemented by IDLG and would comprise technical assistance, systems development, and training aimed at: (i) developing custom-designed OSR Enhancement Strategies and Plans for 9 participating PCCs; (ii) supporting IDLG and MOF in designing an institutionalized performance-based fiscal allocation to municipalities (as per the draft Municipal Law); and (iii) designing and integrating a Municipal Finance Database into the Urban Management Information System (UMIS) developed under UDSP. This assistance would be provided to IDLG, MOF and nine PCCs. The CIP will be supporting GoIRA in mainstreaming the performance-based allocations of the project into an “Incentive Fund” as per the Municipal Law that will be institutionalized and operating on an annual fiscal year budget cycle, based on lessons learned and adjustments made from the CIP project implementation experience.

XX. **Component 3: Improve the Municipal Management Framework (US\$14 million).** This component would provide support for strengthening municipal planning and management at 9 PCCs through technical assistance, training, and the supply of urgently needed equipment and software. This component will be implemented by IDLG and will be comprised of the following subcomponents:

(a) **Component 3.1: Technical Assistance Support through Municipal Capacity Building Packages.** All nine of the participating PCCs will have custom-designed Municipal Capacity Building Packages (MCBPs). These consist of software and hardware packages aimed at automating municipal financial management system (starting with revenue and expenditure modules); preparation of Asset Inventory and Management Plans (AIMPs), which will serve to better manage moveable and immoveable assets and plan for O&M costs; and development of Budget Planning, Execution and Reporting Guidelines and Templates as detailed in Annex 2. The MCBPs would be custom-designed to the needs of each PCC and would support their efforts in meeting performance improvement targets established in their MPIPs. The above will also complement the priority project investments in Component 1 and SDFs in Subcomponent 3.2 by integrating climate change and natural disaster consideration into capacity building activities, capital investment planning and asset management. In addition to these capacity building packages, this sub-component will finance the preparation of feasibility studies for catalytic investment projects for four cities and detailed designs for catalytic investments in all nine cities to be financed under SOP II. A detailed breakdown of the MCBPs is provided in Annex 2 by performance improvement area and funding cycle.



Box XXX: What is a Strategic Development Framework (SDF)?

An SDF is a relatively new generation city strategic planning tool used to go beyond supply-driven and rigid city planning and zoning regulations to capture a broader strategic perspective of a city's development potential and growth trajectory. It recognizes that cities are dynamic organisms and essential contributors to national economic growth and quality of life for residents and businesses. Accordingly, SDFs are **highly participatory** -- including several stages of consultations with key city stakeholders comprising residents, business, NGOs and government agencies -- and thus a vital instrument for promoting citizen engagement. An SDF is an action-oriented process, developed and sustained through participation, to promote **integrated urban development**. The SDF considers existing and potentially new land use patterns, resource endowments and scarcities and how to address them (such as cultural heritage and historic areas of the city) focuses on improving overall urban mobility, identifying investments to promote fulfillment of a vision identified and shaped through community participation. A multiyear capital investment program is the final output of each SDF with the aim of linking identified investments to the strategic vision and development patterns envisaged in the SDF. An SDF sets out a growth vision over a 5-10-year period but is a flexible tool that can be revisited and revised as conditions change and adaptations are needed. It is particularly well suited for cities in the developing world context where development patterns are less predictable under conditions of rapid urbanization and where a stakeholder vision and flexible structure and guidelines are critical elements of city planning.

(b) **Sub-Component 3.2: Preparation of Strategic Development Frameworks (SDFs).** The CIP will support four second-generation participating PCCs, namely Pul-i-Khumri (Baghlan Province), Mehterlam (Laghman Province), Pol-e-Alam (Logar Province), and Bamyan, in undertaking SDFs, building and expanding on the first generation of five cities supported under UDSP. The SDFs will help supported cities carry out intensive socio-economic data-gathering, SWOT analysis, explore land use patterns and resource constraints, development opportunities, as well as project urban growth trajectories into the future, allowing for the planning and prioritization of investment needs within a multiyear Capital Investment Plan, which will be developed as a final output of SDF assignment. SDF preparation will also consider climate change vulnerabilities and include these factors in planning and design of future investments. Parallel support would be provided to mapping out baseline and benchmarked improvements through streamlining annual municipal capital investment budget preparation and approvals. The SDF will inform the preparation by the municipality of Municipal Strategic Plans as required by the draft Municipal Law.

XX. **Component 4: Project Implementation Management (US\$4 million).** This component would support IDLG in managing the implementation of the CIP in coordination with the participating PCCs and MUDH. It would also cover the management cost of implementing and monitoring Component 4 (Priority Urban Investments) of the EZ-Kar Project being also overseen by IDLG. It will cover the costs of technical consultants recruited to support CIP implementation under the Project Implementation Unit (PIU), and will finance PIU office equipment and furnishings, cover project incremental operating costs, and finance the purchase of a project vehicle for making field visits in conjunction with project supervision. Participating PCCs will be provided with technical staff and one project vehicle each to provide reliable transport for the PCC teams in monitoring of activities at the city level. In addition, this component will cover the cost of engaging an independent third-party verification agent to track and report on municipal performance improvements in accordance with their signed MIPs. The agent will also



verify eligibility for Component 1 financing based on their compliance with "Conditions of Entry" and "Incentive Triggers" established under the Project. The tiers of PIU and PCC level implementation teams and monitoring agents will play a vital role in maintaining project continuity and reinforce implementation support with real-time monitoring of procurement, contract management, and the quality and timeliness in the delivery of civil works infrastructure. This arrangement would also establish an early warning system to facilitate adjustments and remedial measures as needed in a timely manner.

E. Implementation

Institutional and Implementation Arrangements

XX. At the national level, the Independent Directorate for Local Governance (IDLG)/Deputy Ministry for Municipalities (DMM)¹⁰ will be responsible for overall implementation of the Project. IDLG was established by Presidential Decree in 2007 with the mandate of strengthening sub-national institutions, improving accountability between local government institutions and citizens, and supporting local governments in promoting balanced development and economic growth. IDLG reports directly to the President. IDLG has 481 professional and administrative staff at its headquarters in Kabul, structured within 12 Departments. Its unique structure also features broad geographical reach, including 34 Provincial Governorate offices, 376 District Governorate Offices and 33 Provincial Municipal Offices. This structure allows IDLG to administer six ongoing national programs in support of sub-national institutions in partnership with several donors, including USAID, UNDP, the European Union, SIDA, Swiss Cooperation Office, Italy, Germany, UN-Habitat, and, most recently, the World Bank, under the Citizen's Charter Afghanistan Program (CCAP).

XX. Through these programs and partnerships, IDLG has helped to develop a broad-based legislative agenda of reforms to the legal framework affecting local governments; assisted cities in defining boundaries to support more effective urban planning; helped to create municipal customer service centers; supported municipalities in improving local revenue mobilization; and helped create 22 gender committees under the municipal framework to increase women's voice in local governance and development planning¹¹. IDLG's more than ten years of experience in implementing donor-financed programs has exposed it to development agency performance and accountability standards, and its broad geographical reach will enable CIP to effectively operate at the local level and position for rollout of the program nation-wide over time. IDLG has already been assessed and deemed suitable to implement the Bank's CCAP urban program for community development project implementation, and this gained-experience with World Bank procedures will serve as an important foundation on which CIP will build and further strengthen IDLG implementation capacity.

XX. While IDLG will assume the main project implementation responsibilities, PCCs will have a substantial role, including involvement on the selection committee for civil works and technical assistance assignments for which they are the beneficiaries, overseeing infrastructure investments on the ground, and gathering data and

¹⁰ While IDLG is responsible for overseeing all sub-national administrations (provinces, municipalities and rural areas), DMM is a department within IDLG that deals specifically and only with municipalities and municipal affairs. However, the term used throughout the document for the CIP institutional counterpart will be IDLG.

¹¹ During the project preparation phase, IDLG and Kabul Municipality counterparts are being requested to review lessons learned from ongoing operations (CCAP and KMDP respectively) and highlight opportunities in working with these marginalized communities. This will serve as a vital input to the gender analysis for CIP and provide guidance on the most optimal intervention strategies.



coordinating inputs to document and support verification of performance improvements against acceptable benchmarks over time. They will also be the first point of contact for the consultants preparing the Strategic Development Frameworks (SDFs), which will be wholly owned and adopted at the local level prior to being submitted to higher authorities for official approval.

XX. A detailed Project Operations Manual (POM) will be prepared for the project and will include an implementation responsibility matrix to clearly identify the roles and functions of all project-involved agencies. This is especially important given the effort to improve efficiency and synergies between different Bank operations implemented by IDLG, where linkages are being made with EZ-Kar and Citizen's Charter-Afghanistan Program CCAP¹² through coordinated safeguards and fiduciary "back office" operations. At the center of project implementation will be an IDLG Project Implementation Unit (PIU) located in Kabul and linked to provincial offices of IDLG in the relevant PCC regions (See CHART 1). It will be supported by a procurement "engine room" where consultants working with CIP-dedicated IDLG staff will assist in overseeing the quality and completeness of technical designs and will package tender documents to facilitate procurement. In addition to the CIP PIU, Chart 1 elaborates all horizontal level relationships between safeguards, gender and fiduciary support hubs across operations, while at the vertical level municipal investment and finance pillars will link national level agencies with the participating PCCs and provincial offices of IDLG that will support implementation and strengthen project monitoring. At the apex level, IDLG will form a Program Working Group (WG) comprised of IDLG (Chair), Ministry of Urban Development and Housing (MUDH), Ministry of Finance (MOF), and PCC representatives that will ensure that decision-making is transparent and equitable at all levels of project implementation. The MOF confirmed its strong interest in partnering with IDLG on the preparation of the performance-based municipal finance framework in which it will be actively engaged.

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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project will include implementation of civil works in five participating PCCs. Subproject investments will be small-scale, on a limited and existing footprint, have minimal environmental impact and will be selected from a positive list that will exclude all Environmental Category A projects. A screening process has been instituted to identify and approve subprojects based on this criteria and may require a partial environmental assessment in some cases. As such, the project is classified as Environmental Category B.

G. Environmental and Social Safeguards Specialists on the Team

Mohammad Arif Rasuli, Environmental Specialist
Mohammad Yasin Noori, Social Specialist

¹² Citizen's Charter - Afghanistan Program (CCAP) is a multi-phase, country-wide program of GoIRA, financed by the World Bank, with the aim of promoting citizen engagement at the community and district level in both rural and urban areas and supporting this engagement with financing for small-scale development projects that are community-identified.



SAFEGUARD POLICIES THAT MIGHT APPLY

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Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The Project is classified as Category B for environmental assessment purposes. Subproject civil works investments financed under the project are foreseen to have an environmental impact for which an Environmental and Social Management Plan (ESMP), as well as a Resettlement Action Plan (RAP), and Environmental Impact Assessment (EIA) would be applied wherever relevant. The Project is designed in a framework approach where an Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF) have been prepared to provide guidelines and tools to ensure subprojects are prepared in a manner consistent with Bank safeguard policies. The ESMF/RPF, ESMPs/EIAs/RAPs will need to be consulted, cleared by the Bank and disclosed in country on IDLG and participating municipality websites and made available at public venues near the project site, and at Bank's External Website prior to project appraisal.
Performance Standards for Private Sector Activities OP/BP 4.03	No	The Project is not foreseen to trigger this safeguard policy, as the small works being financed are for basic municipal infrastructure and services.
Natural Habitats OP/BP 4.04	No	This Project is not foreseen to trigger this safeguard policy, as it will be implemented entirely in urban areas where land has already been developed or designated for development purposes.
Forests OP/BP 4.36	No	This Project is not foreseen to trigger this safeguard policy, as no subprojects may be implemented in non-urban land designated for development.
Pest Management OP 4.09	No	This Project is not foreseen to trigger safeguard policy. Operations Manuals will be prepared for all relevant built assets and pesticide use will be prohibited, as well as training for the owners/operators of the asset at handover.
Physical Cultural Resources OP/BP 4.11	Yes	This policy is triggered because the feasibility and design studies for critical infrastructure in the selected cities will cover the old city areas, which are rich in physical cultural heritage. Screening procedures are already in place under the Urban



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		Development Support Project (UDSP) to identify any such cultural resources, to develop construction phase Chance Find procedures in accordance with national law, and to develop a suitable cultural heritage management plan (CHMP) in cases where cultural resources have been identified. Guidelines for preparing a CHMP will be provided in the ESMF.
Indigenous Peoples OP/BP 4.10	No	OP/BP 4.10 is not triggered, as there are no Indigenous Peoples that meet the criteria of this OP/BP in the project areas that could potentially benefit or be adversely affected by the Project's activities.
Involuntary Resettlement OP/BP 4.12	Yes	<p>Subprojects financed under CIP will be identified on the basis of their having minimal negative social and environmental impact as one key criteria, using a Positive List that is agreed up front with the Bank. Nevertheless, there are instances where subprojects may require resettlement. In such cases, a RAP will be prepared in accordance with the RPF that has been prepared for the project.</p> <p>RAPs will be prepared based on TORS cleared by the Bank for consultants working under the direct guidance of IDLG. Consultations with local stakeholders, including communities will take place as part of the RAP preparation procedures. The RPF will include draft terms of reference for RAP preparation and will be shared with local stakeholders and communities for their review and feedback.</p> <p>The draft ESMF and RPF for CIP were prepared with and consulted upon in the local community and disclosed in country on IDLG/DMM and participating municipality websites and public venues and at Bank's External Website prior to project appraisal.</p> <p>The project activities will not require land acquisition (Sub-projects requiring land acquisition will be screened out).</p>
Safety of Dams OP/BP 4.37	No	This safeguard policy is not triggered, as Dams are not within the scope of the Project.
Projects on International Waterways OP/BP 7.50	No	This safeguard policy is not triggered, as there are no subprojects involving international waters.



Projects in Disputed Areas OP/BP 7.60	No	This safeguard policy is not triggered, as there are no subprojects in Disputed Areas.
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KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The project is not expected to have any significant negative environmental or social impacts. All subprojects are of a small-scale nature, within existing footprints, and will be confirmed as Category B or lower through a pre-screening process to eliminate those that involve any involuntary resettlement or significant environmental impacts. Workshops and training sessions have been organized with project counterparts by the Bank's social and environmental safeguards team, including training for consultants carrying out the work. Pre-screening checklists have been reviewed and cleared by the Bank.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
No potential indirect or long term negative impacts are anticipated, as such projects would not be eligible for financing and would not be cleared through the pre-screening process.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
A positive list of eligible subprojects was prepared to filter out those that might have indirect or long term negative impacts.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
IDLG has developed an Environmental and Social Management Framework (ESMF) for CIP, which draws upon relevant national environmental and social safeguards policies, as well as meeting World Bank safeguard requirements.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
IDLG is the entity responsible for overall implementation of the project. It will have, within its PIU, two fully dedicated Social and Environmental Safeguards Specialists. They will work directly with the PCCs in reviewing the parameters of the safeguards policies, along with the Bank social and environmental specialists on the team, and will ensure adherence to the ESMF, RPF, and to all other instruments developed to be used during the implementation process.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
10-Oct-2018	10-Oct-2018	

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"In country" Disclosure

Afghanistan
22-Oct-2018

Comments

Workshops will be conducted in Kabul and in all of the five participating PCCs where the ESMF and other relevant social and environmental safeguards documents will be disclosed and discussed with key stakeholders.

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank
10-Oct-2018

Date of submission for disclosure
10-Oct-2018

"In country" Disclosure

22-Oct-2018

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C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?
No

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?
Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?
Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Is physical displacement/relocation expected?
No



Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods)

No

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

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Note to Task Teams: End of system generated content, document is editable from here. *Please delete this note when finalizing the document.*

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