



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

Appraisal Stage | Date Prepared/Updated: 05-Nov-2018 | Report No: PIDISDSA25125



BASIC INFORMATION

A. Basic Project Data

Country Afghanistan	Project ID P166127	Project Name Afghanistan: Eshteghal Zaiee - Karmondena (EZ-Kar) Project	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, Aid Management Directorate	Implementing Agency Ministry of Economy	

Proposed Development Objective(s)

The proposed Project Development Objective is to strengthen the enabling environment for economic opportunities in cities where there is a high influx of displaced people.

This will be pursued by increasing the returnees' access to civil documents, providing short-term employment opportunities, improving market enabling infrastructure, and supporting investor friendly regulatory reforms.

Components

- Regional and National Integration of Displaced Persons
- Short Term Employment Opportunities, Reforms, and Market Enabling Infrastructure under IDLG
- Prioritized Urban Investments in Four Provincial Capital Cities
- Market Enabling Infrastructure and Reforms for Kabul Municipality
- Red Carpet and Program Coordination

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	200.00
Total Financing	200.00
of which IBRD/IDA	150.00
Financing Gap	0.00



DETAILS

World Bank Group Financing

International Development Association (IDA)	150.00
IDA Grant	150.00

Non-World Bank Group Financing

Trust Funds	50.00
Afghanistan Reconstruction Trust Fund	50.00

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

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

Other Decision (as needed)

B. Introduction and Context

Country Context

- Substantial improvements in development outcomes have been observed in Afghanistan since 2001, particularly in expanded access to water, sanitation and electricity, and improved outcomes in education and health.** Moreover, following the economic shock of the withdrawal of international troops, the associated decline in aid and deterioration in security, the Afghan economy has regained momentum as reforms have been implemented and confidence restored. However, some gains are now being eroded and risks are arising from the prospects of political instability around the 2018-2019 elections. Business confidence is declining, and economic activity is slowing. Civilian casualties remain at unprecedented levels in 2017 (10,451 killed or wounded) and 2018 (8,050 in the first 9 months). Some areas of the country remain difficult to access because of insecurity.
- Real GDP growth, after accelerating to 2.7 percent in 2017 from a low of 1.5 percent in 2015, is projected to moderate to 2.4 percent in 2018 amid growing political and security concern around the parliamentary and presidential elections.** Growth is expected to accelerate further to 3.7 percent by 2021 assuming smooth political transition after the 2018-19 elections. With the population growing at 2.7



percent, however, projected growth path will not be strong enough to improve incomes and livelihoods for most Afghans.

3. **Poverty rate in Afghanistan has increased significantly: from 38 percent in 2011/12 to 55 percent in 2016/17.** It is expected to remain high in the medium-term, driven by weak labor demand (despite an increasing labor force) and security-related constraints on service delivery. Living standards are further threatened by the worsening drought conditions and displacement (more than 1.7 million Afghans are internally displaced, and more than 2 million have been returning to Afghanistan – mostly from Pakistan and Iran – since 2015).
4. **Stronger growth is predicated on improvements in security, political stability, steady progress with reform, and sustained aid.** Growth could also be enhanced by mobilizing investment in extractives, energy and connectivity, building and harnessing the skills of Afghanistan’s youth and women, and taking steps to realize the job-creation potential of agriculture and agribusinesses.

Sectoral and Institutional Context

5. **About half of the returnees, regardless of when or from where they returned, have settled in urban areas which has put enormous pressure on Afghanistan’s inundated service delivery systems, as well as on the economic and physical infrastructure of the communities that host these groups.** About two-thirds of the Afghan population has no access to the electricity grid. While electrification rates have improved over the past decade, particularly in urban areas, barriers to access remain high. The poor market infrastructure constrains the enabling environment, essential for job creation and economic wellbeing, particularly among the urban population.
6. **Afghanistan measures poorly in both the Logistics Performance Index (150th in the World) and the Doing Business Trading Across Borders indicator (177th in the world).** Inadequate infrastructure has also been a constant complaint of businesses voiced in many recent surveys¹. Returnees also combat weak logistics. This is on top of bureaucratic hurdles they face in moving their possessions across borders where approximately 40% report having left some property (machinery, inventories etc.) behind².
7. **The local economy requires reliable infrastructure to connect supply chains and efficiently move goods and services.** The rapidly widening infrastructure deficit has led to a decline in the number of new businesses established in 2016 compared to 2012/13. Reported infrastructure deficits constraining business activities include road congestion, insufficient power, and urban flooding. Also, lack of serviced land for manufacturing was identified as being a critical obstacle to productive investments in the provincial capital cities (PCCs). As a result, Afghan cities need to invest in infrastructure and utility extensions that encourage economic growth either through the expansion of existing industrial areas,

¹ 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.

² World Bank Phone Survey of Afghan Refugees.



creating new ones, or providing infrastructure improvements to assist in business retention and expansion.

While responding to large scale displacement and economic development challenges, EZ-Kar also aligns itself with the Government’s urban development agenda. At the legal and regulatory front, an outdated and contradictory framework for urban development and management is under review with the aim of updating and aligning institutional roles and mandates within the sector. An Urban Development Law and a Municipal Law by Independent Directorate of Local Governance (IDLG) and Kabul Municipality has been recently approved. The laws stipulate greater responsibilities to local governments, streamlining and rationalizing functional responsibilities, and improving overall governance and efficiency in the sector. In October 2016, Government of the Islamic Republic of Afghanistan (GoIRA) issued the Afghanistan National Peace and Development Framework (ANPDF) as its overarching strategy for the period 2017-2021³. ANPDF cites the important role of cities both as potential engines of economic growth and as hosts of incoming migrants. Also, the extent of urban challenges in Afghanistan calls for a multi-dimensional programmatic Bank engagement that is greater in scale and longer in horizon.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The proposed Project Development Objective is to strengthen the enabling environment for economic opportunities in cities where there is a high influx of displaced people.

This will be pursued by increasing the returnees’ access to civil documents, providing short-term employment opportunities, improving market enabling infrastructure, and supporting investor friendly regulatory reforms.

Key Results

The achievement of the PDO will be measured by the following key indicators:

- i. Percentage of Afghan passport applications processed in Pakistan (percentage);
- ii. Number of households in high IDP/returnee cities provided with short-term employment opportunities (number);
- iii. Number of market enabling infrastructure built or upgraded (number);
- iv. Number of processing steps reduced for specific Doing Business reform indicators in four cities (number)

D. Project Description

COMPONENT 1: REGIONAL AND NATIONAL INTEGRATION OF DISPLACED PERSONS (US\$4.5 million)

8. In support of the regional commitments that the Government of Afghanistan and Pakistan set out in the Solutions Strategy for Afghan Refugees (SSAR) framework and tripartite agreements, this component will

³ Afghanistan National Peace and Development Framework (ANPDF), 2017-2021, Government of Afghanistan, 2016.



support Afghan refugees in Pakistan and their voluntary repatriation. Ministry of Foreign Affairs (MoFA) will be the Implementing Agency both in Afghanistan and in Pakistan, while the Ministry of Refugees and Repatriation (MoRR) will be involved in the implementation of communications activities. The component provide technical assistance, institutional support and training, necessary equipment, and operational assistance to MOFA to: (a) enhance its capacity to provide consular services (such as issuance of passports and verification of certificates); (b) develop and implement a joint communication strategy for MOFA and MORR to disseminate information to Afghan refugees in Pakistan in order to facilitate their access to economic opportunities and social services through information centers at MOFA missions in selected cities of Pakistan, in collaboration with MORR; and (c) support day-to-day implementation of Component 1 of the Project.

COMPONENT 2: SHORT TERM EMPLOYMENT OPPORTUNITIES AND MARKET ENABLING INFRASTRUCTURE UNDER IDLG (US\$120.5 million)

9. This component aims to increase economic opportunities in cities that fall under IDLGs mandate and that face a high influx of displace people. By (a) creating short term employment opportunities; (b) investing in market enabling infrastructure in Jalalabad, Kandahar, Herat, Mehterlam, Puli Khumri, Khost Matun, Asadabad, Parun, Taluqan, Kunduz, Chaghcharan, and Maimana and; (c) supporting the implementation of municipal level regulatory and process reforms, which need to be carried out before funding for priority investments under component 3 can be released to the Jalalabad, Kandahar, Herat and Khost municipalities.
10. **Subcomponent 2.1: Short Term Employment Opportunities.** This sub-component supports short-term employment in urban areas for vulnerable households that may not benefit from other project activities. It also recognizes that large numbers of IDPs and/or returnees in urban areas rely on daily wage work. To demonstrate quick results, it will follow the design, implementation modality, and lessons learned from the ongoing Maintenance and Construction Cash Grants (MCCG) scheme under the Citizens' Charter Afghanistan Program (CCAP, P160567) implemented by the Ministry of Rural Reconstruction and Development (MRRD) – while customizing this to focus on urban communities. Facilitating Partners (FPs) will be contracted by IDLG to establish urban 1,160⁴ Community Development Councils⁵ (CDCs), facilitate their elections (each urban CDC comprises approximately 200 households), and conduct a Well-Being Analysis (WBA)⁶ to identify vulnerable households who will participate in the daily wage work. Grants of

⁴ The coverage is expected to be close to 90% of the city if using the Afghanistan's National Statistics and Information Authority (NSIA, 2018) urban population figures, which shows that there are 1,210 communities in these urban areas. However, data from UN-Habitat's 'State of Afghan Cities' report (SoAC 2015, updated 2017), shows that there are around 2,035 communities. Saturation beyond 1,160 CDCs in the cities can be carried out under CCAP as more resources are made available.

⁵ Community Development Council is a community-based decision-making body that includes a chairperson, vice-chairperson, secretary, and treasurer, and is responsible for, inter alia, preparing Community Development Plans and Sub-Project proposals, and for the implementation and management of Sub-Projects".

⁶ The Well Being Analysis (WBA) is part of the Participatory Learning and Action (PLA) tools, which is a participatory process that classifies all households in the community into socio-economic categories (rich or well-off, middle class, poor, and very poor). Each household in the poor or poorest categories of the WBA with an able-bodied member willing to participate in paid labor is considered a potential beneficiary for this component. If the total number of such eligible households exceeds 35 percent of the total households in the community, then a lottery approach is used exclusively from among the eligible households only to select



up to US\$27,000 will be disbursed directly to each CDC, with at least 60 percent to be used for daily wages (for work on repairs, maintenance, and/or light construction), which will benefit an estimated 80,000 vulnerable households⁷.

11. **Subcomponent 2.2: Market enabling infrastructure**⁸. The objective of this sub-component is to improve the poor market infrastructure which businesses complain⁹ constrains the enabling environment for business activity, which is essential for job creation and economic wellbeing, particularly among the urban population. This will be done by providing grants to Gozars and Business Gozars, which will use the grants to invest in priority market enabling infrastructure. IDLG will establish (i) Gozar Assemblies (GAs) and (ii) Business Gozars Assemblies (BGA) in the cities. A Gozar will be formed from four to five CDCs electing one representative each who will be part of the Gozar Assembly. A Business Gozars is a parallel body which will consist of an estimated range of 100 to 300 businesses¹⁰, who will also elect their representatives. Before a BGA is established, IDLG, in consultation with the municipality, will conduct a Gozar and Business Gozar Assessment (G/BG-A) to identify opportunities where EZ-Kar investments can have a high impact. The G/BG-A will be conducted in all IDLG project cities by a firm recruited and managed by IDLG. This assessment will include work to identify areas in the city with a high density of businesses which will be used to identify locations where potential Business Gozars could be established, before the identification and recommendations for market-enabling infrastructure takes place at the Gozar or Business Gozar level.

12. **Gozars and Business Gozars will have the same governance structure which has proven to work in Afghanistan** (under CCAP). By applying CCAP's participatory and transparent process to develop the Development Plans, priority economic infrastructure needs of GAs and BGAs will be identified in an inclusive manner, reflecting the views of both men and women businesses. The Development Plans for the GAs and BGAs will have the same "positive menu" based on selection criteria, as the objective of their investments will be the same¹¹. Upon approval of the Development Plan, a grant of up to US\$200,000 will be channeled to each Gozar and Business Gozar for the implementation of the priority economic infrastructure. GAs or BGAs can chose to pool their resources and will be supported by FPs.

13. **Roll out and coordination**: Once CDCs have been formed and have begun utilizing their MCCG, then an estimated 230 GAs will be formed (as GAs are a grouping of CDCs). Once formed, the IDLG, with the support of FPs, will ensure that there is close coordination between GAs and BGAs (to avoid any

the actual beneficiaries.

⁷ 1,160 CDCs x 200 hh per CDC x 35 percent = 81,200 hh.

⁸ The term Gozar refers to council in English. A Gozar is a group of 4-5 CDCs. A Business Gozar would consist of 100-300 businesses.

⁹ 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.

¹⁰ The term 'businesses' refers to SMEs such as but not limited to formal markets, small semi-formal shops, vendors, factories etc.

¹¹ Illustrative criteria could, inter alia, include: (i) a high-level assessment of feasibility given the available funding, timelines and capacity; (ii) promoting businesses; (iii) prioritizing market-enabling infrastructure that can lead to improved economic opportunities. All Gozar and Business Gozar investments will need to be endorsed by the Mayor (or acting), whose role will also be to ensure alignment of the investments with municipal economic development plans in consultation with Municipal Coordination Bodies.



duplication) and there is regular consultation with nahia administration and the Municipality Advisory Boards (MABs) in site selection, alignment with city network plans for the market enabling infrastructure, and the progress of project implementation. This coordination is already done under CCAP.

Climate co-benefits: These processes and investments (which also applies to component 3 and 4) are expected to generate climate co-benefits and increase the resilience of businesses and households in the target cities to shocks (including those related to climate change) by improving infrastructure, such as drainage, introducing solar powered street lighting which would reduce greenhouse gas (GHG) emissions, access roads¹² that would contribute to improved accessibility to services and economic opportunities. Similarly, paving flood prone streets along with the construction of drainage networks and canals will reduce the cities' vulnerability to flooding. In addition, depending on the type of market infrastructure improved or constructed, the project may contribute to the reduction of heat loss in utilities and/or increased recovery of waste heat (Climate Finance Category 3.3 Energy efficiency improvements in the utility sector and public services).

The project will also contribute towards the efforts of GoIRA in achieving the United Nations' Sustainable Development Goal 13 (Take Urgent Action to Combat Climate Change and its Impacts) by enhancing the resilience of IDPs, returnees, and host communities to climate change (see annex 2).

28. **Subcomponent 2.3: Support for Municipal Level Regulatory and Process Reforms.** This will be implemented by IDLG and will focus on reforms at the municipal level and within IDLG's mandate. To move municipalities towards an investor friendly way of operating, this sub-component will support the following activities:

- a. **Undertake a regulatory assessment for each project city** to identify city-level priorities in Government to Business (G2B) services e.g., obtaining a license, permit, certification, registering a business, paying taxes.
- b. **Support reforms identified by the regulatory assessment.** This will be in the form of technical assistance to the Gozars, Business Gozars, and Municipalities across IDLG cities. Priority will be given to simplification of construction permits¹³ [in coordination with the International Finance Corporation (IFC)¹⁴ and the Executive Committee on Private Sector Development (PRISEC)], and those related to Doing Business (DB).

29. **Subcomponent 2.4: Component 2 Management.** Activities under this component will be implemented using the existing CCAP Project Implementation Unit (PIU) established under IDLG, and will cover all the

¹² Climate resilient elements would also be considered in the design of these subprojects as relevant and feasible.

¹³ Construction permits were because of the focus on light construction under the EZ-Kar project (including at community-level subprojects), complementarities with Cities Investment Program (since construction permits are very relevant for businesses and markets in cities), and the ability of IDLG and Municipalities to implement reforms related to construction permits. Draft action plans for improving the construction permit may include, inter alia, topics such as building inspections, risk-informed land use planning, automation of processes.

¹⁴ Subject to coordination with IFC, green buildings certification may be incorporated in this process.



additional operations and management costs associated with the EZ-Kar activities in IDLG, (up to 10% of the sub-component 2.1 and 2.2 amounts).

COMPONENT 3: PRIORITIZED URBAN INVESTMENTS IN FOUR PROVINCIAL CAPITAL CITIES (US\$25 m)

30. In line with the overall objectives and the programmatic approach of EZ-Kar, this component will leverage the CIP platform within IDLG to strengthen the municipalities’ public financial management systems and invest in priority investments that enable local economic development and business growth. This component will be implemented by IDLG in the four provincial capital cities of Jalalabad, Kandahar, Herat and Khost. It consists of the following two sub-components:

31. **Sub-Component 3.1: Prioritized Urban Investments.** The funding of Prioritized Urban Investments (Priority Projects) under EZ-Kar will be conditional upon improvement in both the municipalities’ public financial management (*as per the principles of the parallel World Bank funded Cities Investment Program-CIP Project*) as well as the construction permit issuance procedures. Priority Projects will be selected through consultations led by municipalities, with participation of Municipal Advisory Boards (MABs) and the private sector. Furthermore, budget allocation per participating city will be allotted according to the number of returnees in the past 3 years (2016-2018). As such the four participating cities will receive the following allocations: Jalalabad (US\$9 million); Kandahar (US\$4 million); Herat (US\$ 4 million) and Khost (US\$3 million). This sub-component is also fully aligned behind the implementation arrangements under the parallel World Bank-funded CIP project. A clearing mechanism (within the IDLG CIP Project Implementation Unit--PIU) will be established to decide which of the Priority Projects will be financed under the CIP or the EZ-Kar Window. Priority Projects with high economic returns will be financed under the EZ-Kar window.

32. Progress on the implementation of reforms under subcomponent 2.3 will be the trigger¹⁵ to release financing under component 3, directly to municipalities for the implementation of priority investments (i.e. economic infrastructure).

Table 1: The tranche schedule which is linked to works under component 3 is as follows:

First Investment tranche of 5%	Available to all four cities upon project effectiveness. To help establish the project, undertake design work and complete the 2 nd tranche release condition.
Second Investment tranche of 45% release condition	The three cities of Jalalabad, Kandahar and Herat satisfactorily complete a construction permit implementation plan and meet the ‘conditions of entry’ set out in Component 3 (same as in component 1 of the CIP).
Third Investment tranche of 50% release condition	An integrated set of triggers (of PFM and construction permit reforms) will be adopted for the release of investment funds for priority projects under both EZ-Kar (component 3) and the CIP (component 1). The release of funds will be made on a pro-rated basis reflecting the level of pre-agreed municipal reforms achieved under both the CIP and EZ-Kar. Compliance for the PFM reform triggers will follow Component 3 and the parallel

¹⁵ Along with Public Financial Management (PFM) reform triggers



	<p>WB-funded CIP methodology while compliance for construction permit reforms will follow the Doing Business methodology¹⁶. <i>Note: Khost will only need to comply with the 'conditions of entry' for PFM reform.</i></p>
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33. **Sub-Component-3.2: Project Preparation.** Given that Component 3 will be implemented by the CIP PIU at IDLG, sub-component 3.2 will finance the cost of feasibility studies, detailed engineering designs¹⁷, construction supervision, and monitoring and evaluation for a budget equal to US\$5million. Progress and financial reporting, as well as output and outcome monitoring under this component will be reported upon under a separate reporting system along the same format of the CIP.

COMPONENT 4: MARKET ENABLING INFRASTRUCTURE AND REFORMS FOR KABUL MUNICIPALITY¹⁸ (US\$40 m). *Note: Even though several activities are similar to those under component 2 and 3, Kabul Municipality falls outside the jurisdiction of IDLG, which is why this is a separate component.*

34. This component aims to address the challenges faced by Kabul’s private sector in accessing economic opportunities. Kabul’s private sector is dominated by a very large number of small and micro enterprises (SMEs) located throughout the city in: (a) formal market areas, (b) small semi-formal shops and factories located in commercial areas, and (c) on the sides of main transport roads informally. In general, these businesses are performing in a suboptimal manner due to productivity, value (quality), and connectivity challenges. This component aims to address these problems by (a) assisting Kabul Municipality to implement selected municipal level regulatory reforms associated with market upgrading; and (b) financing investments in market upgrading and connectivity improvements (e.g. roads and drainage) that promote economic opportunities.

35. **Subcomponent 4.1: Regulatory and process reforms.** Kabul Municipality will develop and implement several regulatory reforms with the immediate focus on the simplification of construction permits. Other reforms relevant to Doing Business (DB) indicators can also be supported. The reduction in processing steps for construction permits will be measured and the indicators, baseline figures (from the Afghanistan Doing Business Reform Memorandum, March 2018) and targets are outlined in the results framework. See table above which outlines the procedures and triggers (but not the PFM reforms) which will be applied, to release the three tranches to the municipality before works can begin.

36. **Subcomponent 4.2: Prioritized Urban Investments.** Kabul municipality will identify ‘priority project’¹⁹ investments through consultations with businesses. The funding for these investments will be released in

¹⁶ Indicators in the results framework will measure the reduction in processing steps for construction permits and the baseline in the results framework follows the Sub-National Doing Business in Afghanistan 2017 figures.

¹⁷ Feasibility studies and detailed designs will incorporate climate resilient elements.

¹⁸ Note: Kabul is the only municipality that does not fall under IDLGs mandate. For this reason, a separate component has been set up for Kabul. Even though the type of activities, reforms and objectives may seem similar to those in component 2 and 4.

¹⁹ “Priority Projects” are urban infrastructure investment projects that will be: (1) selected based on criteria and a permissible menu that will be elaborated in the Operations Manual and provide pro-market / pro-business economic opportunities to displaced populations, women, and host communities; (2) aligned to city-level Strategic Development Frameworks that will determine optimal location and appropriate project types; (3) aligned to any Gozar / Business Gozar subprojects proposed or



three tranches and will be conditional on meeting the regulatory reform triggers. The type of investments that are likely include work on public markets (including women's markets) and roads, the provision of electricity connections, and logistics infrastructure (e.g. warehouses). Investment resources will be allocated on a performance basis in three tranches. These investments will be screened to ensure: (i) feasibility and (ii) a focus on economic opportunities. Eligible investments will be limited to those that meet a criteria namely to: (a) improve economic opportunities through improved productivity (reductions in wastage and pilfering), (b) increase the value of products (hygiene, packaging, etc.) or (c) improve connectivity to the market, and that (d) are located on land owned by the municipality, (e) are limited to a maximum of US\$2.5 million (and are of safeguards category B), (f) consistent with Kabul's master plan (zoning, future development, avoidance of hazard-prone areas), and (g) have the concurrence of the private sector. The prioritization will be made by using a pre-determined set of criteria, which will give preference to investments that have a high market enabling potential.

37. **Subcomponent 4.3: Component 3 Management.** Activities under this component will be implemented using the existing Project Implementation Unit established under Kabul Municipality Development Program (KMDP). This sub-component will therefore cover all the additional operations and management costs associated with the EZ-Kar activities in Kabul.

COMPONENT 5: RED CARPET AND PROGRAM COORDINATION (US\$10 million)

38. This component finances the efforts of the Ministry of Economy (MoEC) in (a) supporting national level regulatory reforms, and (b) program coordination to oversee the implementation of EZ-Kar.
39. **Sub-component 5.1: National level regulatory reforms.** This sub-component seeks to move the government from providing "red tape" (bureaucratic/difficult processes) to providing a "red carpet" (an investor friendly way of operating). The Project will support red-carpet measures through the provision of technical and operational assistance to MOEC for supporting national regulatory reforms, feasibility assessment of business service centers in selected cities, and development of coordination mechanisms with relevant ministries and agencies.

Subcomponent 5.2. Program Coordination. EZ-Kar is an inter-ministerial programmatic effort to improve economic opportunities in cities across Afghanistan and respond to the displacement crisis. Ministry of Economy (MoEC) is not an implementing ministry but will serve as the lead line Ministry responsible for inter-ministerial coordination among stakeholders within GoIRA and be responsible for overall management and project oversight across the Implementing Agencies (IAs)²⁰. To strengthen the linkages across components during project implementation, MoEC will establish two inter-ministerial level bodies that will foster strong project specific engagement and coordination at the Deputy Ministers

being implemented under EZ-Kar in the same geographic catchment area; and (4) under Safeguards Category B. There will be operations and maintenance (O&M) plans in place with a system to ensure user fees are collected where possible. Examples of Priority Projects include, inter alia, construction and/or rehabilitation of markets, shops, connectivity, shared commercial toilet and storage and information and communications technology (ICT) infrastructure, power grids etc.

²⁰ MoFA, IDLG, Kabul Municipality, and coordination with MoF.



level and the technical level. The terms of reference of these two bodies has been agreed with MoEC and will be outlined in the Operations Manual. Before implementation begins all IAs and MoEC will co-sign an MoU which outlines their various roles and responsibilities, reporting timelines, and the general operating modality for the steering committee and IAs. This sub-component will also finance the operational planning; capacity building; management information and reporting systems; grievance redress mechanisms (GRM); human resource management; communications; donor and field coordination; financial management (FM) and procurement functions; and safeguards oversight. Funds will also be set aside to carry out mixed method evaluations.

E. Implementation

Institutional and Implementation Arrangements

40. Responding to large scale displacement and improving economic integration in urban areas requires an inter-ministerial programmatic effort, which builds on existing platforms and institutional structures. Based on recommendations from GoIRA, stakeholder consultations and data on population size and influx of displaced people, the following Ministries, municipalities and Directorates will be involved in the project management and implementation—with each playing a distinct but highly complementary role in responding to what is a multifaceted programmatic response to displacement.
41. The Ministry of Economy (MoEC) will serve as the lead line Ministry (under Component 5) responsible for (a) inter-ministerial coordination among stakeholders within GoIRA and with the donors, (b) general oversight and reporting, and (c) managing the leadership and technical coordination of the program across the Implementing Agencies (IAs). Even though each IA will carry out its own implementation, oversight and M&E tasks, MoEC will coordinate, follow up and consolidate monitoring, reporting on performance, and as needed, provision of technical assistance for all line ministries. It will also ensure that investments meet an agreed set of criteria and follow the World Bank's safeguard and fiduciary requirements activities under Components 1, 2, 3, and 4 will be carried out by MoFA, IDLG and Kabul municipality.

A National Deputy Minister level Steering Committee (NSC) will be established and chaired by the Deputy Minister of MoEC and all IAs and MoEC will co-sign an MoU outlining their roles and responsibilities. IDLG will also establish an MoU with key stakeholders in urban areas [municipalities, Ministry of Urban Development and Housing Afghanistan (MoUDHA), the Ministry of Energy and Water (MoEW), Da Afghanistan Bank (DAB), and Da Afghanistan Breshna Sherkat (DABS), etc.] to ensure program coordination within each city and to avoid duplication.

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

The EZ-Kar project will be implemented in an estimated 12 cities in Afghanistan namely: Jalalabad, Kabul, Kandahar, Herat, Baglan, Faryab, Ghor, Khost, Kunar, Kunduz, Laghman, and Takhar. These cities have been selected based on the influx of returnees and IDPs with data from GoIRA and UN agencies sources. The project will benefit Afghan refugees living in Pakistan. The project aims to provide short, medium to longer-term support through economic development of urban centers that host the largest influx of returnees and



IDPs. It will create an enabling environment for urban enterprises/businesses through market-based connectivity, small-scale market economic infrastructure, short-term daily wage work for laborers and private sector development through a mix of policy and regulatory reforms at the national and the city level. Selection criteria to identify infrastructure and daily wage type of sub-projects will guide the municipalities, private sector and communities to prioritize investments. The project will also support strengthening the basic infrastructure to meet the increased demand of the Refugees/IDPs. The environmental and social adverse impacts will be, minor and reversible in nature. The environmental impacts may include issues with occupational health, safety and labor hygiene. The adverse impact on people may arise from land required for the facilities. The construction induced impacts emerge from influx of labour (required for construction of markets), risks associated with use of child labor, workers health and safety, contractor’s code of conduct.

G. Environmental and Social Safeguards Specialists on the Team

- Mridula Singh, Social Specialist
- Shankar Narayanan, Social Specialist
- Sayed Mujtaba Shobair, Environmental Specialist
- Tariq Ashraf, Social Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	OP/BP 4.01 is triggered because the project will have negative impacts as result of the proposed activities under the project. No major adverse environmental impacts are envisaged. Typical impacts associated with the maintenance, rehabilitation of existing infrastructure and construction activities under the project may include: a) increase in noise and dust levels due to increased vehicle movement b) construction debris c) soil and land degradation and d) disruption of utility services d) generation of construction waste (iv) health and safety hazards from inadequate disposal of dangerous waste from construction camps as well as construction materials. (v) Occupational Health and Safety issues for labor and communities. A framework approach has been adopted for this project as the specific



locations and details of activities will only be determined by the borrower during project implementation. The Environmental and Social Management Framework entails guidelines and provisions to assess potential environmental impacts and prescribe guidelines and procedures that would avoid, mitigate, or minimize adverse impacts and spells out the policies, guidelines and procedures, including mitigation plans to minimize and mitigate the likelihood of envisaged negative impacts. The ESMF also includes screening criteria to make sure that the physical work under the project is limited to those with environmental and social impacts under Category B. The ESMF also includes the Terms of Reference (TOR) for the Strategic Environmental and Social Assessment (SESA) which will be carried out during project implementation to assess the potential E&S impacts due to the regulatory reform. The ESMF has been consulted, cleared and disclosed on 29th October, 2018.

OP/BP 4.03 is not triggered as the activities proposed under this project does not involve private sector participation.

OP/BP 4.04 is not triggered as the activities proposed under this project will not have any effect on the Natural habitats.

OP/BP 4.36 is not triggered as no forests are considered to be affected by the civil works proposed under this project.

OP/BP 4.09 (Pest Management) policy is not triggered because Project activities will not involve purchase, use or storage of pesticides, nor will it support the procurement, or use of, or lead to the increased use of other agricultural chemicals.

OP/BP 4.11 is not triggered given that the project activities are not expected to impact physical cultural resources. However, the ESMF comprises guidelines for Chance Find Procedures according to national law.

This policy is not triggered as there are no Indigenous Peoples that meet the criteria of OP/BP 4.10 within the project area that could potentially benefit or be adversely affected by the Project's activities.

Performance Standards for Private Sector Activities OP/BP 4.03

No

Natural Habitats OP/BP 4.04

No

Forests OP/BP 4.36

No

Pest Management OP 4.09

No

Physical Cultural Resources OP/BP 4.11

No

Indigenous Peoples OP/BP 4.10

No



Involuntary Resettlement OP/BP 4.12	Yes	<p>OP 4.12 (Involuntary Resettlement) is triggered. Components 2, 3, and 4, will support rehabilitation or construction of market infrastructure, and short-term employment through labor-intensive public works (“LIPW”). Based on the secondary literature review and the lessons learnt from the on-going Bank supported project The Resettlement Policy Framework (RPF) and Environment and Social management Framework (ESMF) for the project was prepared. It builds upon the safeguard instruments of CCAP and KMDP, and in coordination with those of CIP. The RPF sets out the procedures for managing land acquisition, asset loss, land donation, and resettlement impacts and if the RAPs are found to be necessary, The ESMF includes action plans and guidance on (a) ESIA for sub-projects (b) communication; (c) accountability and transparency; (d) gender; (e) measures to ensure access to services, especially for the vulnerable and disabled; (f) compliance with labour welfare and mitigation measures relating to impact due to labour influx; (g) capacity building; (h) grievance management; (i) monitoring; and (j) budget. Additional social assessments will be carried out as part of series of assessments planned under project activities. These assessments will capture social issues in the selected cities where the project will be implemented.</p>
Safety of Dams OP/BP 4.37	No	<p>OP/BP 4.37 is not triggered as the Project does not have any activity involving dams. OP/BP 7.60 is not triggered as the Project does not involve any activity in any know disputed area.</p>
Projects on International Waterways OP/BP 7.50	No	<p>OP/BP 7.50 is not triggered as the project does not involve any activity that affect international water ways.</p>
Projects in Disputed Areas OP/BP 7.60	No	<p>OP/BP 7.60 is not triggered as the Project does not involve any activity in any know disputed area.</p>



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 will not invest in any large scale infrastructure facilities nor will it invest in any works that will have significant and/or irreversible impacts. The project will support rehabilitation or construction of market infrastructure, and short-term employment through labor-intensive public works in 12 cities.

The adverse social impacts may lead to minimum requirement for land/asset for the sub-project planned by the community. Labour may be deployed from outside the settlements for redevelopment of markets and may lead to issues of safe mobility of women and vulnerable and sexual harassment.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The project will support regulatory reforms to support (a) investor friendly way of operating; and (b) efficient management of approval processes to set up business and related construction works that may lead to indirect impacts on common resources such as land, water.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The project will support bottom-up planning by the Community Development Committee and Gozar Associations. At micro-level, the screening tools will be used for selection of sub-projects that will have minimize impacts on people.

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.

Since the location of the sub-project and area of influence is not known yet, a framework approach is adopted. The environment and social management framework (ESMF) and Resettlement Policy Framework (RPF) has been prepared which includes necessary provisions to address and mitigate adverse impacts applicable to each investment and measures access benefits throughout the project period. The project will support regulatory reforms to support for which a Strategic Environment and Social Assessment will be carried out following the identification of the reforms. The geographical overlap between Citizen Charter Additional Financing and EZ-Kar will be in Jalalabad, Herat and, Kandahar while the overlap between EZ-Kar and CIP will be in Jalalabad, Kandahar, Herat and Khost. Thus, the project will build on the experience of IDLG, KMDP and CIP to implement a safeguard framework that are in compliance with Bank's Safeguard policies including the requirements of citizen engagement, addressing gender gaps and grievance management and monitoring of social development outcomes such as accountability and transparency. MoEC will mobilize Social Development and Gender specialist to coordinate implementation of safeguard instruments with the Implementing partners including monitoring and reporting.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The stakeholders includes both project beneficiaries and those who may be affected by the project in the 12 cities. The ESMF and RPF includes detailed action plan on consultations that will be carried out for bottom-up planning and implementation. The Support organizations will be hired to disseminate information and engage with communities through focus group discussions. The ESMF and RPF is translated in local language and disclosed at the project implementing agencies websites October 22, 2018.



B. Disclosure Requirements

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
22-Oct-2018	29-Oct-2018	

"In country" Disclosure

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
22-Oct-2018	29-Oct-2018

"In country" Disclosure

Afghanistan
29-Oct-2018

Comments

The ESMF and RPF have been disclosed

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

No

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?

Yes



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?

Yes

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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