

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC903

Project Name	DABS Planning And Capacity Support (P131228)
Region	SOUTH ASIA
Country	Afghanistan
Sector(s)	Transmission and Distribution of Electricity (100%)
Theme(s)	Other public sector governance (100%)
Lending Instrument	Technical Assistance Loan
Project ID	P131228
Borrower(s)	Ministry of Finance
Implementing Agency	Da Afghanistan Breshna Sherkat
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	30-Apr-2013
Date PID Approved/ Disclosed	15-May-2013
Estimated Date of Appraisal Completion	00000000
Estimated Date of Board Approval	27-Nov-2013
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

1. The Afghan economy needs sustainable sources of long-term inclusive growth. The extremely high level of current annual aid (estimated at \$15.7 billion in 2010) is roughly the same dollar amount as Afghanistan's GDP and will not be sustained at such levels post 2014. This slowdown in aid will exert a drag on the overall economy at a time when growth is vitally needed to cope with fiscal and demographic pressures. Growth, under reasonably optimistic scenarios, is projected to fall from a ten year average of over 9% to between 5-6% in 2011-18. By 2021/22, the Government of Afghanistan's financing gap is projected to be 25% of GDP. Unemployment and underemployment, already at 8% and 48% in 2009/10 is projected to rise just as the labor force is expanding by 300,000 new entrants per year. Afghanistan will experience a major security and development transition over the next years. The next presidential election is scheduled for April 2014. The outcome of the elections is very uncertain due to the fragmented political fractions in the country. There is a wide-spread concern that the election could be accompanied by an increase in insurgency activities which could undermine economic and development progress in 2013 and

2014. Moreover, at the Kabul and Lisbon Conferences in 2010, NATO and the Afghan government agreed that full responsibility for security would be handed over to the Afghan National Security Forces (ANSF) by the end of 2014. The country now faces the drawdown of most international military forces over the coming several years with an expected accompanying decline in civilian aid as international attention shifts elsewhere and aid budgets come under increasing fiscal pressure. The decline in external assistance is likely to have widespread ramifications for Afghanistan's political and economic landscape well beyond 2014. Falling aid flows in Afghanistan will have the most impact on public spending as present levels of expenditure will be fiscally unsustainable for Afghanistan once donor funds decline. The main issue is how to manage this change, mitigate impacts, and put aid and spending on a more sustainable path. At the Tokyo Conference on July 8, 2012, the international community committed to \$16 billion of aid to Afghanistan (annual average of \$4 billion over the next four years) and agreed to the Tokyo Mutual Accountability Framework (TMAF) with the Government of Afghanistan that focuses on (i) Representational Democracy and Equitable Elections, (ii) Governance, Rule of Law and Human Rights, (iii) Integrity of Public Finances and Commercial Banking Systems, (iv) Government Revenues, Budget Execution and Sub-National Governance, and (v) Inclusive and Sustained Growth and Development.

2. Agriculture and natural resource development are likely to be the most important sectors to drive growth, but alone will be insufficient. Investment by industrial, processing and logistic enterprises as a means to add value to the agriculture and resource sectors will be the key drivers of growth and, especially of job creation. To bring about inclusive jobs and growth, further development of infrastructure, including of electric power supply, is essential.

Sectoral and Institutional Context

3. The Afghan power system is small and underdeveloped but demand is growing rapidly. Grid-based electricity is estimated to meet the needs of about 25 percent of Afghanistan's population, mainly in the urban areas and along a few limited transmission corridors. About 80 percent of electricity is imported from Iran, Tajikistan, Turkmenistan and Uzbekistan, and accounts for about 600MW of the capacity available in the country. Domestic diesel generators, thermal and hydropower account for about 340MW across the country. The transmission system consists of about eight islands linking the different generation sources, the largest of which is the North East Power System which interconnects Tajikistan and Uzbekistan with Kabul.

4. The National Energy Supply Program (NESP), one of GoA's National Priority Programs (NPPs), articulates an ambitious program for development of the power sector up to 2015. It plans to increase the number of consumers connected to the grid from today's 850,000 to 1.15 million requiring investment in generation, transmission and distribution estimated in the NESP at about \$2.7 billion. Accompanying that physical investment other plans include efforts to reduce losses, improve billing and collections and attract private sector investment. Although NESP may be as much aspirational as achievable, it underlines the government's clear understanding of the linkages between a better electricity supply and economic growth.

5. Sector institutions are evolving, with a gradual separation of policy and operations. The main government department responsible for the power sector in Afghanistan is the Ministry of Energy and Water (MEW). It is increasingly focused on policy, strategy and planning issues and has taken the lead on preparation of the NESP and the Power Master Plan. Given Afghanistan's dependence on imports and external financing, MEW also has a significant role in dealing with its neighbors and donors.

6. Operations and investment are increasingly devolved to Da Afghanistan Breshna Sherkat (DABS). Until 2009, the entity responsible for power supply, Da Afghanistan Breshna Mossesa (DABM), was a department of MEW. With World Bank and other donor support, DABM was converted into DABS, which is now focused on developing into a fully commercial power utility while remaining under state ownership. Initially responsible for day to day operation of the transmission and distribution system, DABS carried out about \$26 million of investment in the 1391 financial year (March – December 2012). DABS will need to consolidate its position as the main owner and operator of the power system since neither growth in private sector participation nor unbundling or other reforms are realistic prospects over the medium term.

7. The planned sector growth will place additional demands on the capacity of DABS. To cope with its increased responsibilities for investment, DABS will need to improve its capacity in the areas of planning and implementation of investment projects and then operating and maintaining them. Today, DABS is reliant on project implementation units for this and its management has asked for Bank assistance to move towards normal electric power utility practice in investment and operations and maintenance (O&M). If DABS is to meet the demands placed on it, it must build its organizational capacity through the development of systems, procedures, and standards and of its staff through technical and other training and then ensure that these new capacities are applied to the task in hand. It needs more and better trained staff and as such needs to draw from a wider pool of educated and capable professionals, including women.

Relationship to CAS

8. Sufficient and reliable power supply is central to the Interim Strategy Note (ISN) Pillar 3, “Inclusive Growth and Jobs”. The ISN recognizes the need to scale up power supply to secure private sector led growth, particularly in the agricultural and resource sectors. It aims to do this through support of the government’s NPPs. The proposed project would improve the ability of DABS to plan and implement its program to increase power supply – a key component of the NESP, which also includes a component aimed at building capacity in sector institutions. The planned approach would improve the capacity of Afghanistan to absorb on-budget investment at a larger scale, thus contributing to Pillar 1 of the ISN which is aimed at building the legitimacy and capacity of institutions.

II. Proposed Development Objective(s)

Key Results (From PCN)

The following key results will be sought:

- Selection of expansion and rehabilitation investment will be based on transparent, objective criteria;
- DABS project planning, implementation and Operation and Maintenance functions will be based on good international practice adjusted for local conditions;
- DABS distribution investments and Operation and Maintenance expenditures will be budgeted on three year rolling basis;
- Key departments and individuals will be accountable for planning, implementation and Operation and Maintenance performance;

III. Preliminary Description

Concept Description

16. The project is proposed to consist of three components described below.

17. Component 1: DABS staff capacity building (\$2.5 million, all ARTF). This component would support capacity building for the staff of DABS including:

- Setting up a twinning arrangement with a more experienced utility on which DABS can model itself and make use of training facilities. Such a utility would, ideally, be well performing, relatively nearby, but with sufficient living memory that its staff can appreciate the challenges facing DABS.
- Providing general and task-specific training to managers and staff on distribution investment selection, planning and implementation, specifically on the preparation of pre-feasibility and feasibility studies, procuring design, supply and installation contractors, and supervising such contractors.
- Providing general and task-specific training to managers and staff on distribution operation planning and implementation, specifically on the preparation of annual O&M plans in line with the annual budgeting process, execution of the O&M plans including the hiring and supervision of contractors.
- Providing one-on-one mentoring support to managers and key specialists in the DABS planning and O&M functions.
- Enabling DABS to provide a career path for female professional staff in DABS, including recruitment, career development and identification of specific support needs.

18. Component 2: DABS institutional capacity building (\$4.0 million, all ARTF). This component would support capacity building for DABS as an institution, including:

- Developing and codifying policies and procedures across the distribution investment planning function including technical, financial/economic, financial management, procurement and environment and social aspects.
- Developing and adopting standards and standardized designs for grid distribution systems.
- Developing and codifying policies and procedures across the O&M function, including clarification of responsibilities between DABS and local distribution companies (“Breshnas”) and options for contracting out O&M to private entities.
- Adapting and integrating the Afghanistan Energy Information Center into the asset management department of DABS and providing financing for staff on a declining basis retroactive to March 2012.
- Introducing a system of performance contracting for managers within DABS
- Developing systems and procedures for the monitoring of investment and O&M performance during preparation, implementation and operation phases.

19. Component 3: Facilities development (\$1.0 million, all ARTF). This component would support the purchase equipment and refurbishment of training facilities in DABS including:

- Physical works and purchase of goods to create and equip a training facility for the Operations Division of DABS that will be used primarily for the capacity building activities.
- Purchase of project related equipment, computers and software.

20. A solid monitoring and evaluation system will be key to successful outcomes at project and sector levels. If successful, the project will improve short and long term sustainability of investment

in power distribution and thus increased access to good quality electricity. Close monitoring of the progress of the proposed project will be essential to ensure that preparation of an investment project is triggered at the right time and set at the right level of financing.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	7.50	Total Bank Financing:	0.00
Total Cofinancing:		Financing Gap:	0.00
Financing Source		Amount	
Borrower		0.00	
Afghanistan Reconstruction Trust Fund		7.50	
Total		7.50	

VI. Contact point

World Bank

Contact: Abdul Hameed Quraishi
 Title: Operations Officer
 Tel: 5232+3384 /
 Email: aquraishi@worldbank.org

Borrower/Client/Recipient

Name: Ministry of Finance
 Contact: Adris Wali
 Title: Aid Coordination Officer
 Tel: 0702329101
 Email: adris.walli@budgetmof.gov.af

Implementing Agencies

Name: Da Afghanistan Breshna Sherkat
Contact: Eng. Shekeeb Nessar
Title: Chief Operations Officer
Tel:
Email: shekeeb.nessar@dabs.af

VII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: <http://www.worldbank.org/infoshop>