

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA28415

Project Name	Trans-Hindukush Road Connectivity Project (P145347)
Region	SOUTH ASIA
Country	Afghanistan
Sector(s)	Rural and Inter-Urban Roads and Highways (85%), Telecommunications (10%), Public administration- Transportation (5%)
Theme(s)	Regional integration (80%), Rural services and infrastructure (20%)
Lending Instrument	Investment Project Financing
Project ID	P145347
Borrower(s)	Islamic Republic of Afghanistan
Implementing Agency	Ministry of Public Works
Environmental Category	A-Full Assessment
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Estimated Date of Appraisal Completion	08-Sep-2015
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Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

Afghanistan is one of the least developed countries in the world. Impoverished and fragile after several decades of war and conflict within its borders, it continues to face uncertainty and challenges on both security improvements and economic development. Its Gross Domestic Product (GDP) per capita in 2014 was US\$ 693. On the UNDP Human Development Index, Afghanistan ranked 169th out of 187 countries in 2013. However, the report also showed that average life expectancy is up from 41.2 years in 1980 to 60.7 in 2013, with women's life expectancy mirroring the overall trend. Afghanistan's gender inequality ranking is 149 out of 187 countries. Across all economic indicators, Afghanistan is characterized by high levels of poverty and inequality.

In late 2014 the Government of Afghanistan (GOA) has embarked on a political transition process under a unity government. On the security side, the Afghan National Security Forces (ANSF) have assumed full responsibility for security since the end of 2014.

The political and security transition continues to take a heavy toll on Afghanistan's economy. Economic growth in Afghanistan slowed sharply starting in 2013. The decline in growth, from an average of 9 percent during 2003-2012 to 3.7 percent in 2013 and 2 percent in 2014, is mostly the result of a protracted political transition in 2014 and the slow pace of reforms, reducing investor and consumer confidence in the economy. The growth outlook for 2015 remains weak: unfavorable weather conditions for agriculture production and lagged effects from 2014 could continue to undermine economic recovery.

Moreover, the Government is still grappling with containing a fiscal crisis which unfolded in 2014. The economic slowdown, compounded by increased governance vulnerabilities and weaknesses in tax and customs enforcement, resulted in a hefty decline of domestic revenues from a peak of 11.6 percent of GDP in 2011 to 8.4 percent in 2014. In spite of measures to restrain expenditures, the government faced a financing shortfall in excess of \$500 million in 2014, which it managed with the help of exceptional donor assistance and by drawing down cash reserves and accumulating arrears. Consequently the government started the year 2015 with a relatively weak fiscal position, further strained by stagnating revenues in the first quarter. Restoring fiscal stability is critical to steer Afghanistan's economy back on a path of recovery and growth. This will require accelerating revenue enhancing reforms, stronger expenditure consolidation efforts and additional financial assistance.

Afghanistan's national development prospects hinge on the ability of the Government to maintain security, legitimacy, improve living conditions and promote socio-economic development. Formidable challenges remain in poverty reduction, job creation, and service delivery in Afghanistan during this delicate period in its transition process. The GOA still remains highly aid dependent and is under high pressure to bring about tangible improvements in the lives of the population. Looking beyond 2015, Afghanistan's poverty reduction and development challenges will require progress in four key areas: (i) ensuring fiscal sustainability by mobilizing internal revenue and securing grant assistance, and by safeguarding non-security expenditures; (ii) supporting inclusive and job-creating private-sector led growth by unlocking the potential of the agriculture, services, and natural resources sectors; (iii) improving the still very low levels of human capital and skills; and (iv) continuing to strengthen institutions and governance.

Good transport infrastructure is a prerequisite for a stable and more prosperous Afghanistan. Improving Afghanistan's infrastructure is essential for accelerating economic growth and poverty alleviation. Despite very significant investment during the past decade, the country requires much additional investment in transport infrastructure not only to ensure basic service delivery and enhance the quality of life of its growing population, but also to avoid a possible binding constraint on market access, regional trade and economic growth. The post-transition growth outlook is contingent upon a relatively stable security environment, with agriculture and extractive industries likely to be among the key sectors driving growth. Agriculture is the backbone of the nation's economy, providing more than 75 percent of employment and contributing 25 percent to the GDP. On the other hand, the extractive industries sector currently accounts for only 4 percent, a very small share of GDP, but has significant potential in light of Afghanistan's deposits of copper, iron ore, and hydrocarbons. Unlocking the potential of both agriculture and extractive industries sectors will require significant improvement in the transport infrastructure, in particular in the road network.

Afghanistan suffers from significant transport infrastructure gaps in terms of connectivity and

accessibility. These gaps result in relative isolation of parts of the country and negatively affect regional and internal integration and trade. The country is located at the intersection of Central Asia and South Asia and the existing highways provide international links to Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan. More than 90 percent of freight and almost 85 percent of intercity passenger transport are carried by road transport. The total length of Afghanistan's road network is about 123,000 km but nearly 80 percent of the roads are not "all-season" roads. About 63 percent of the population is more than two kilometers away from an all-season road.

Sectoral and institutional Context

The functioning of Afghanistan's economy and the country's national integration depend to a large degree on reliable road connections across the Hindukush mountain range. With summit heights between 4000 and 7800 meters, and with an east-west extension of about 800km, it stretches from the northeast of Afghanistan to the center of the country and thereby establishes a physical barrier between the two key economic regions which are also the most highly populated areas: (i) the Jalalabad - Kabul region to the south of the mountains and (ii) the Baghlan – Mazar-e-Sharif - Kunduz region to the north. Connectivity between these regions across the Hindukush mountain range is therefore essential for the functioning of the national economy, and for the internal and regional integration of the country. However, only two road crossings over the Hindukush mountain range have so far been constructed:

- The main crossing is the Salang Highway (87 km) built in the 1960's by the former Soviet Union. It carries most of the cross-Hindukush traffic, between 5,000 and 9,000 vehicles a day, with a high share of trucks. About 80% of goods and most fuel coming into the greater Kabul area are carried from the North across the mountains on the Salang highway. It is a winding 7 meter wide road with only one lane in each direction. Its highest point is at 3,400 meters altitude where a tunnel (2.8 km long) crosses under the snow-capped mountain peaks. When it was built, Salang tunnel was the world's highest road tunnel. The road also includes 21 snow avalanche galleries (artificial tunnel-like structures) for avalanche and rock fall protection, totaling about 12 km in length. However, heavy snowfall, avalanches, landslides and accidents still often interrupt traffic on the road, sometimes for several days or even weeks. The effects of road closures are immediately felt in Kabul, where prices for some commodities such as fuel may rise by 30 percent after two or three days of road closure. It has been estimated that the costs of such closures is about US\$2.0 million per day.
- A secondary crossing is the unpaved Baghlan to Bamiyan road (B2B road, 152 km) which is used much less and mostly by smaller vehicles, with traffic volumes around 800 vehicles per day. It was built essentially as a local road providing access to a series of villages and mining areas. It provides a much longer cross-Hindukush connection than the Salang highway but the road is less steep and its highest altitude is only about 2,500 meters, which makes it less vulnerable to interruptions by snowfall. However, due to the absence of a pavement and of appropriate drainage structures, the road is often not useable during periods of rain, which can last several weeks.

Previous attempts for securing trans-Hindukush road connections. The Salang highway with its tunnel and snow galleries was originally designed and built in the early 1960's and opened in 1964, for an expected traffic of about 1,000 vehicles a day, and for vehicles not as heavy as today's trucks. It was funded and executed by the former Soviet Union and the quality of the original construction was very good, with asphalt concrete pavement in the lower sections of the road and a

very solid concrete pavement in the higher road sections above 2,500 meters altitude. The road and the tunnel held up well during many years. However, the tunnel was seriously damaged in 1982 by the detonation of a truck loaded with explosives. Also, ever-increasing traffic volumes, heavier vehicles using snow chains in winter, many heavy military trucks with steel-spike studded tires that quickly wear down pavements, and the lack of proper maintenance eventually led to a serious deterioration of the road, especially in the higher sections that are exposed to extreme climate, and of the tunnel and the snow galleries. Several expensive repairs during the past 25 years have all been short-lived, due to (i) the continued use of the road by overloaded trucks using snow chains in winter, (ii) the reluctance to fully rebuild the reinforced concrete pavement which would have required partial and sometimes full closure of the road during several weeks and (iii) the reluctance to carry out a full rehabilitation of the tunnel and its drainage system, which would also require full closure during long periods of up to a year. Construction-related closures of the road would mostly be needed during the summer season, since road construction in the high altitudes cannot be carried out in winter. It was generally found impractical to close the road and tunnel for longer periods and a more definite solution of the problem was postponed again and again, favoring instead “quick fixes” which never lasted more than a few years. The problem of truck overloading and excessive use of snow chains remains unresolved until today.

Salang pass capacity expansion. During the past years the GOA has explored with several IFI's (especially ADB) the much needed project to expand the capacity of the Trans-Hindukush road crossing, since the Salang pass is today operating beyond its nominal capacity on most days. There are several project options, some of which include the idea of building a second tunnel parallel to the existing tunnel. A second tunnel would allow closing the existing tunnel during a year or so and fully rehabilitate it, once the new parallel tunnel would be completed. The expectation by the GOA that the new second tunnel would materialize soon led to the further postponement of much needed repairs and rehabilitation of the old existing tunnel and the road. However, it has now become clear that the GOA will probably need several more years to secure the funding for a second tunnel. This has now made the full rehabilitation of the existing Salang tunnel and road more urgent and critical than ever before, due to the advanced deterioration process within the tunnel and snow galleries, and on the road itself which has essentially lost its pavement on about 30 km of the high-altitude sections.

Complexity of solving the Hindukush road crossing problem. The GOA has requested the Bank to develop, fund and help manage a project which would ensure a reliable trans-Hindukush connectivity for a time period of about 7 years, until a much larger project of a major capacity expansion of the Salang pass (including a second tunnel) can be implemented. The project is expected to have the following key characteristics:

- a) Developing and upgrading the Baghlan to Bamiyan road to become a safe and dependable Hindukush crossing which can be used as an alternative when the Salang highway is closed due to weather-related events or due to construction work.
- b) Designing and carrying out repairs and maintenance on the Salang highway. This would involve as main elements (i) various types of repairs to the tunnel and galleries which will require temporary partial and full closures, and (ii) the construction of a new heavy-duty concrete pavement for about 30 km length, located between 2,500 and 3,400 meters altitude above sea level.
- c) Phased implementation schedules between the two sub-projects described above, to ensure

that there is a reliable cross-Hindukush road connection at all times during the implementation of the overall project.

- d) Phased construction processes on the Salang road, tunnel and galleries which will minimize closures of the Salang pass as much as possible.
- e) Packaging of civil works taking into account the local political and security situation, and involving local groups and contractors as much as possible, especially for the Baghlan to Bamiyan sub-project which traverses Taliban-dominated areas.
- f) Establishing a realistic overall time frame for the project which takes into account the risks and the complexity of the project. A total project implementation period of seven years is envisaged.

In Afghanistan, there is a general lack of a maintenance culture which has resulted in premature deterioration of road and other infrastructure. Efficient management and maintenance is mostly absent on a large part of the road network, especially on secondary and local roads. Maintenance planning for the network of strategic main highways is done by the Ministry of Public Works (MPW) and is then executed through MPW's provincial departments (DPW). In order to address this well-known and longstanding issue, many external funding agencies (World Bank, ADB, USAID, DFID, and GIZ) are already providing large-scale technical and financial support to MPW and others for building road asset management capacity. The World Bank's support in this area is provided through the ongoing Afghanistan Rural Access Project (ARAP) and the O&M Incentive Program funded under the Afghanistan Reconstruction Trust Fund (ARTF) managed through the Bank's governance team. It is not foreseen that the proposed new project will include more capacity building for road management and maintenance, since this would be a further duplication of the already massive support provided in this area by the World Bank and the various other external partners.

Beyond the narrow issue of road management and maintenance, the Government's broader ability to construct and operate the transport network and regulate transport services is impaired by limited capacity, weak governance, and outdated policies. The Government, with support from several external partners, is now planning sector reform actions (a) to consolidate the fragmented transport sector institutions into a new Ministry of Transport, (b) to establish a Road Authority and a Road Maintenance Fund; (c) to establish and strengthen commercially oriented, autonomous transport sector entities that currently reside in project implementation units of various different ministries that have mandates related to transport; and (d) to establish a coherent policy which emphasizes good management of existing road infrastructure assets and (e) improve the regulatory environment for road transport services. The Bank's Governance team has reviewed MPW's existing strategy for road operation and maintenance and has put in place an incentive-based financial support program funded from ARTF's recurrent account, with the objective to support O&M. Community-based road maintenance and private sector involvement in O&M have been investigated and are being applied under the Bank-financed Afghanistan Rural Access Project (ARAP) and by other donors like USAID, but such O&M modalities are yet to be streamlined into the government system.

II. Proposed Development Objectives

The project development objective is improved road transport connectivity across the Hindukush mountain range.

III. Project Description

Component Name

Road construction and rehabilitation

Comments (optional)

Component 1 will include (i) civil works for the construction of the B2B road and the rehabilitation of the Salang road and tunnel, (ii) consulting services, including for the supervision of works for the same roads and for regular technical audits by an independent international auditor to verify that road works have been executed in compliance with the technical specifications, and (iii) goods, which will include a small number of equipment items which MPW may need to keep the two roads open during the project period. The MPW already commissioned and received the detailed feasibility and design studies for the B2B road, which the World Bank team reviewed and which will be further refined. Design of the highway includes all the road safety features typically applied under international g

Component Name

Institutional support and project management

Comments (optional)

This component will be comprised of several subcomponents which are summarized as follows:

- a) Road Safety. This will include (i) a review of the existing design for the two roads with the specific purpose of detecting and remedying any potential design deficiencies in terms of road safety and (ii) practical training of engineers at the MPW on road safety issues.
- b) Definition of asset management arrangements for the trans-Hindukush roads. This subcomponent will include activities to define the most appropriate arrangements for the effective and efficient management, operation and maintenance of the two roads, after their completion.
- c) Community engagement and communication. This will include the design and execution of MPW's information and communications campaign for the purpose of bui

IV. Financing (*in USD Million*)

Total Project Cost:	255.00	Total Bank Financing:	250.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			5.00
IDA Grant			250.00
Total			255.00

V. Implementation

The project will be implemented under the responsibility of the Ministry of Public Works (MPW). MPW has appointed a high-level official to ensure close oversight of the project implementation and its coordination with stakeholders. MPW has established a Project Management Office (PMO) which is led by a Director. Within the PMO there are specialized units for engineering, procurement, administration, financial management, safeguards management, etc. The PMO will draw on existing staff of MPW to carry out its functions and will also hire some individual consultants to strengthen its capacity. Some of the PMO staff will eventually be located in MPW's provincial Departments of Public Works (PDPW) in the provinces where the project roads are located.

Given the wider impact of this project on Afghanistan as a whole, an Inter-Ministerial Steering Committee is being set up for this project to ensure inter-sectorial coordination and to obtain specific support from other agencies in the areas of land acquisition, security, etc. The Committee is to be chaired by the Minister of Public Works and will include high-level representatives from various ministries and agencies as needed.

The capacity of MPW's staff to execute the project has been assessed and it was found that large skill gaps do exist, especially for the technically more demanding work which requires previous knowledge and experience. It is clear that the remuneration levels of civil servants in Afghanistan make it very difficult for MPW to either hire staff that is already well-qualified, or to retain staff that has acquired good qualifications while working at the Ministry. Nevertheless, the implementation of the project will be used to provide training of existing MPW civil servant staff so that they can gradually take over tasks of an increasing complexity. In the meantime, MPW will use the services of an Implementation Consultant until its own capacity is strong enough to handle all project implementation with its civil servant staff.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)

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