

PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA117125

Project Name	URBAN DEVELOPMENT SUPPORT PROJECT (P147147)
Region	SOUTH ASIA
Country	Afghanistan
Financing Instrument	Investment Project Financing
Project ID	P147147
Borrower(s)	Ministry of Finance
Implementing Agency	Ministry of Urban Development and Housing
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	10-May-2017
Date PID Approved/Disclosed	20-Mar-2017
Estimated Date of Board Approval	13-Jun-2017
Appraisal Review Decision (from Decision Note)	
Other Decision	

I. Project Context

Country Context

Afghanistan is currently managing the immediate challenges resulting from the political transition. It has maintained macroeconomic stability and has established the conditions for a slow recovery of the economy. Risks to the economy remain significant, however, and withdrawal of international security forces since 2014, coupled with political uncertainties, have resulted in deceleration of economic growth, while fiscal pressures increase as security threats mount. It is vital that the Government identify new sources of growth to replace the declining donor inflows over the longer-term.

Modest economic growth and investment recovery is tempered by security challenges. In 2015, Afghanistan recorded an estimated economic growth of 1.5 percent, a marginal increase from the 1.3 percent recorded in 2014. Overall growth was largely driven by growth in the industrial sector (1.4 percent) and services sector (2.8 percent), offsetting the two percent contraction in the agriculture sector. There was a slight recovery in the level of investment after several years of decline; the number of new business registrations increased slightly over the year. However, the number of these registrations is still significantly lower than the figures recorded in 2012-2013, as security challenges continue to constrain investment. In 2015, consumer price inflation dropped to -1.5 percent, down from the figure of 4.5 percent recorded in 2014. This decline was primarily due to a decline in the level of private consumption and to low global commodity prices.

Prudent fiscal management has been a key factor in supporting the transition. As a result of reforms to

both revenue collection and expenditure, the fiscal position improved significantly in 2015. Domestic revenues increased to 10.4 percent of GDP, significantly higher than the 8.7 percent recorded in 2014. This increase was largely the result of tax policy reforms, as well as improvements in the collection of arrears. The Government has also continued to manage expenditures carefully, with total expenditures increasing only marginally over the year, from 26.2 percent of GDP in 2014 to 27 percent in 2015.

Recent forced displacement poses significant challenges. Three-quarters of the Afghan population has been displaced at some point during nearly four decades of conflict. Afghanistan remains one of the largest and the most protracted crises in the world. More than one million people have been reported as returning refugees or internally displaced persons (IDPs) in 2016 due to geo-political or security developments that have prompted sudden and unanticipated decisions to return or relocate. This population will add to an estimated 1.2 million previously displaced IDPs, the majority of whom are gravitating to cities and continue to face challenges of relocation and local integration. Most of them lack adequate standards of living and security of tenure.

Sectoral and Institutional Context

Urban development is a key to growth of the Afghanistan economy. Afghanistan's fast-growing cities host a quarter of the country's population and pose particular development challenges. Inadequate urban planning, coupled with weak municipal governance, has failed to ensure equitable service delivery and effective management of the inevitable urbanization transition facing the country. With continued rapid urbanization expected in the next few decades, it is both opportune and urgent to promote urban development that is sustainable, equitable and catalytic for economic growth. Hence, Afghan cities carry significant potential for advancing social and economic welfare, if properly managed and inclusively governed.

Afghanistan is administratively divided into 34 provinces. Each province has a Provincial Capital City (PCC), which is the largest city in terms of land area and population. PCCs are on the frontline of many of Afghanistan's most pressing challenges, including: Afghan returnees and IDPs; economic stagnation; rising unemployment; land grabbing; rising drug addiction, particularly among youth; and increasing inequality and social exclusion. There is increased rural-to-urban migration to PCCs, as the rural population is heavily dependent on subsistence agriculture and has witnessed diminishing income levels, declining food security, and reduced access to urgently needed services.

A wide range of disparities exists between different regions and within each region. While Herat, Mazar-i-Sharif, Jalalabad and Kandahar have largely benefited from cross-border trading with neighboring countries, isolated interior provinces have been badly affected by conflict. Based on findings from the SoAC (2015) analysis, PCCs can be divided into distinct categories based on land area, dwelling units/population, relationship to their province and region, and city function/characteristics. Over 50 percent of total municipal revenues in the 34 PCCs are collected by Kabul City. The four regional hubs of Mazar-i-Sharif, Herat, Kandahar, and Jalalabad generate approximately one-quarter of total revenues.

In view of the above, and considering Afghanistan's urban hierarchy, five participating PCCs were selected for inclusion in UDSP in consultation with the Ministry of Urban Development and Housing (MUDH) and the city mayors. These reflect different characteristics and economic functions and play a prominent role in the local, regional and national economy of the country. While Herat, Mazar-i-Sharif, Kandahar, and Jalalabad were chosen for being provincial and regional hubs (see table below), the city of Khost was selected based on its size, location and economic potential. Kabul was excluded from the project, as it already receives Bank support under the ongoing Kabul Municipal Development Project (KMDP).

II. Proposed Development Objective(s)

The Project Development Objectives are to (i) create an enabling policy framework and enhance urban policy making capacity in relevant agencies at the national level; and (ii) strengthen city planning, management and service delivery capacity in five Provincial Capital Cities (PCCs).

III. Project Description

Component Name

Urban Information - Building an Urban Management Information System

Comments (optional)

This component will finance: (i) technical assistance to create the database and web architecture for the UMIS; (ii) design and implementation of surveys, and analysis of data gathered by municipalities; and (iii) annual data updates as well as maintenance of hardware and software of the UMIS.

Component Name

Urban Institutions - Institutional and Capacity Development

Comments (optional)

This component will finance: (i) implementation of an Urban Planning Functional Review of the urban planning functions and capacities of MUDH and other relevant agencies, as well as the planning functions and capacities under the participating PCCs, and the preparation of an Action Plan for technical assistance to be supported by UDSP over the course of its three year implementation period; (ii) technical assistance and advisory services for capacity development in MUDH and the Participating PCCs in select areas, including urban policies, procurement, contract management, financial management and internal audit, all in accordance with the functional review; (iii) preparation of a series of policy notes and strategy papers in four defined policy work streams as follows: (a) Planning and L

Component Name

Urban Integration - Strengthening Urban Planning at National and Local Levels

Comments (optional)

This component will integrate urban planning and development, supported by technical consultancies, goods, and information technology-related hardware and software, including training, for: (i) development of curriculum for urban planning practitioners; and (ii) preparation of local Strategic Development Plans (SDPs) at the five PCCs, taking into account an inventory of existing planning and land use conditions, land use efficiency and service provision. The component will include development of guidelines, manuals, tools and systems, including procurement of satellite imagery, for carrying out local planning functions. Each of the SDPs will be widely discussed with community groups through a series of workshops and will include a gender-based assessment of access to municipal services to

Component Name

Urban Investments - Feasibility and Design Studies for Urban Infrastructure

Comments (optional)

This Component will be implemented by MUDH in coordination with IDLG and the five participating PCCs to support the preparation of multi-year Capital Investment Plans (CIPs) linked to the SDPs and feasibility studies for both priority and catalytic projects in the five participating PCCs. Priority investments are "no regret" projects that can be implemented quickly that will be identified in consultation with local stakeholders. Catalytic investments will be identified under the SDPs and will help attract productive investments to the cities, aimed at supporting economic development and job creation.

UDSP will support sub-projects that protect and improve tangible urban built heritage and urban and city region eco-systems. All supportive infrastructure to the above will be part of the f

Component Name

Project Management and Administration

Comments (optional)

This Component will provide financing for project management staff, upgrading of office equipment and furnishings to improve the efficiency of operations and planning, as well as other technical equipment, project vehicles and incremental operating costs.

IV. Financing (in USD Million)

Total Project Cost:	20.00	Total Bank Financing:	20.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
IDA Grant			20.00
Total			20.00

V. Implementation

The UDSP grant will be managed in a mainstreamed project implementation structure within MUDH. The Project Core Team (PCT) will be comprised of central and local teams complementing each other. At the central level, the team will consist of a Project Director (PD), Financial Management Specialist (FMS), Procurement Specialist (PS), Environmental and Social Safeguards Specialist (ESSS), and Monitoring and Evaluation Specialist (MES). The PCT will also include four National Technical Specialists (NTSSs) for the Work Streams designed to support capacity development in planning and land use management, urban regeneration, affordable housing, and municipal finance. The PCT will prepare and update the procurement plan, financing and disbursement plans and forecasts, project monitoring and evaluation, as well as prepare project reports on a quarterly basis.

At the local level, the PCT will include five project-financed Provincial Capital City Coordinators (CCs) located at each of the five PCCs, who will report to the Project Director and the NTS for Municipal Finance. The CCs will coordinate and oversee all activities in the respective PCCs. This will include facilitating the work of consultants in the cities - particularly under Components 1 (UMIS), 3 (Urban Planning) and 4 (Feasibility and Design Studies) - building local teams and capacity to gather baseline and performance benchmarking data at the city level, and providing timely inputs to the quarterly Progress Reports.

Memoranda of Understanding (MOU) will be signed between MUDH and each of the participating PCCs to ensure: (i) alignment between the PDO and UDSP-financed activities and expected outcomes; (ii) clarity of roles and responsibilities to promote smooth implementation; and (iii) commitment to providing inputs (e.g., UMIS data collection) and support for consultants and technical assistance providers in delivering project-financed services.

A UDSP Consultative Group (CG) has been established to institutionalize mechanisms for national-local level consultations during implementation. It will be convened on a six-monthly basis to review

UDSP implementation status, noting any deficiencies and deciding collectively on remedial measures if necessary. Project adjustments that may be required during implementation relating to the FCV context can be discussed and decided-on collectively through the UDSP CG fora whenever needed, including responses to the shifting conflict situation on the ground and to address the ongoing influx of refugees and IDPs.

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

VII. Contact point

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