

**PROJECT INFORMATION DOCUMENT (PID)  
ADDITIONAL FINANCING**

Report No.: PIDA26242

<b>Project Name</b>	Afghanistan Power System Development Project Additional Financing (P152975)
<b>Parent Project Name</b>	Afghanistan Power System Development Project (P111943)
<b>Region</b>	SOUTH ASIA
<b>Country</b>	Afghanistan
<b>Sector(s)</b>	Transmission and Distribution of Electricity (91%), Public administration- Energy and mining (9%)
<b>Theme(s)</b>	Urban services and housing for the poor (100%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P152975
<b>Parent Project ID</b>	P111943
<b>Borrower(s)</b>	Islamic Republic of Afghanistan
<b>Implementing Agency</b>	Da Afghanistan Breshna Sherkat
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/Updated</b>	21-Jun-2015
<b>Date PID Approved/Disclosed</b>	23-Jun-2015
<b>Estimated Date of Appraisal Completion</b>	22-Jun-2015
<b>Estimated Date of First Grant Approval</b>	06-Jul-2015
<b>Appraisal Review Decision (from Decision Note)</b>	The review did authorize to proceed with Negotiations, in principle

## I. Project Context

### Country Context

Afghanistan is a country with a total population of approximately 28.1 million. The Government of Afghanistan's (GoA) authority and capacity are weak, and continue to be affected by fragility and conflict, undermining its efforts in development, attaining self-reliance and reducing poverty. Furthermore, corruption is widespread and all signs indicate that the levels have increased in recent years. Afghanistan remains highly dependent on international aid (45 percent of GDP in 2013). The national development budget has been entirely donor-financed, with donors also financing a significant share of the Government's recurrent operating budget. Afghanistan's domestic revenue to GDP ratio continues to remain very low.

Unprecedented political, security, and economic challenges since 2012 have affected Afghanistan's economic growth, resulting in a fiscal crisis. Domestic revenues fell to 8.4 percent of GDP in 2014 from a peak of 11.6 percent in 2011. Economic growth has also fallen sharply from an annual

average of 9.4 percent during 2003-12 to 1.5 percent in 2014. By 2021/22, the Government of Afghanistan's financing gap is projected to be 25% of GDP. Unemployment and underemployment, already at 8 percent and 48 percent respectively in 2009/10, is projected to rise just as the labor force is expanding by 300,000 new entrants per year.

The new Government has declared its commitment to address these challenges as outlined in its paper “Realizing Self Reliance: Commitments to Reforms and Renewed Partnership”, that was presented at the London Conference on Afghanistan in December 2014.

### **Sectoral and institutional Context**

Afghanistan is at the bottom 10% globally in electricity consumption per capita and only 28% of its population is connected to the grid, making it one of the lowest rates of electrification in the world. Three decades of war damage and a fragmented power grid drive this energy scarcity; the wars destroyed 65% of the power lines. In June 2015 Afghanistan's access to electricity rate is estimated at about 25% with about 1 million residential connections. This is a significant increase to the levels around 2005, when the rate of electrification was only at 6%. Discrepancies with under-served rural areas remain. Due to the interconnection in place with Uzbekistan and Tajikistan, load shedding and outages have been significantly reduced in the past five years.

Overall the Afghan power system remains small, fragmented and underdeveloped but demand is growing rapidly. Grid-based electricity is estimated to meet the needs of about 25% of Afghanistan's population, mainly in the urban areas and along a few transmission corridors. About 80% of electricity is imported from Iran, Tajikistan, Turkmenistan and Uzbekistan, and accounts for about 1000 MW of the capacity available in the country. Domestic diesel generators, thermal and hydropower account for about 519MW across the country. The transmission system consists of islands linking the different generation sources to the loads. The peak load has grown from 245 MW in 2006 to 628 MW in 2011 and stands close to 850 MW today.

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 National Energy Supply Program (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.

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. Subsequently, 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 is increasingly carrying out its own investment program. DABS financial performance has improved significantly since it was spun off from MEW, and in 2014 DABS has not needed subsidies from the Government to support its operations. Over the past 7 years energy losses were reduced from 54% to 26%.

The World Bank has in the past provided significant support both in terms of IDA and ARTF financing and technical assistance. The APSDP project is a cornerstone project aimed at

rehabilitating and expanding electricity infrastructure in secondary cities. This project built on the earlier Emergency Power Rehabilitation Project (EPRP). The proposed Additional Financing is to cover cost overruns of the APSDP project.

## II. Proposed Development Objectives

### A. Current Project Development Objectives – Parent

The development objective of the project is to increase the number of electricity connections for the urban centers of Charikar, Gulbahar and Jabul-es-Seraj and Pul-e-Khumri in an institutionally efficient way.

### B. Proposed Project Development Objectives – Additional Financing (AF)

The development objective of the project is to increase the number of electricity connections for the urban centers of Charikar, Gulbahar and Jabul-es-Seraj and Pul-e-Khumri and to improve the availability of power from Naghlu and Mahipar switchyards.

## III. Project Description

### Component Name

Component A: Distribution System Rehabilitation

### Comments (optional)

This component includes rehabilitation of the distribution systems in Charikar, Gulbahar and Jabul-es-Seraj in Parawan province and in Pul-e-Khumri. In the parent project the main rehabilitation work for Charikar, Gulbahar and Jabul-es-Seraj is covered by a single responsibility contract for supply and installation. The installation work under the contract has been near completed, and so has the rehabilitation work in Pul-e-Khumri. The service drops for individual connections were not included in the original supply and install contracts of either of the two distribution systems. Under the Additional Financing (AF), MEW will transfer the distribution systems to DABS which will then be responsible for the procurement and installation of the service drops.

### Component Name

Component B: Rehabilitation of Transmission Switchyards associated with Naghlu and Mahipar Hydropower Stations

### Comments (optional)

Under the parent project, this component is covered by a single responsibility supply and install contract. Equipment for both plants was procured and shipped at the same time and is now on both sites. The construction installation testing and commissioning work was completed at Mahipar at the end of December 2014. Work at Naghlu is targeted for completion by early 2016. The AF will be used to cover the incremental cost of this rehabilitation contract under this component.

### Component Name

Component C: Institutional Capacity Building, Energy Efficiency and Project Management Support

### Comments (optional)

Under the parent project a Project Management Firm (PMF) manages the project on a daily basis. Under the AF, Afghanistan's power utility DABS as the new implementing agency will select a consultant to support the technical supervision and monitor the implementation of the remainder of the switchyard rehabilitation contract (Component B).

## IV. Financing (in USD Million)

Total Project Cost:	15.00	Total Bank Financing:	0.00
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Financing Gap:	0.00	
<b>For Loans/Credits/Others</b>		<b>Amount</b>
Borrower		0.00
Afghanistan Reconstruction Trust Fund		15.00
Total		15.00

## V. Implementation

### Implementation Summary of the Parent Project

The original grant amount of the parent project is US\$60 million financed from the Afghanistan Reconstruction Trust Fund (ARTF), which was approved on October 22, 2008 and became effective on March 19, 2009. As of June 21, 2015, 93.27% of the US\$60 million has been disbursed. The parent project comprises of the same components as described in III. Project Description above. So far, for Component A rehabilitation of the distribution systems in both Charikar, Gulbahar and Jabul-es-Seraj in Parawan province and in Pul-e-Khumri are close to completion, and will be completed and handed over to DABS within the current project. This includes construction/ rehabilitation of in total 626 kilometers' of distribution lines, accounting for about 40,000 kilo Volt-Ampere (KVA)'s distribution capacity. In the additional financing, DABS will procure and install the services drop at both sites and connect the consumers to the electricity. Under Component B: Rehabilitation of Transmission Switchyards associated with Naghlu and Mahipur Hydropower Stations, equipment has been procured and shipped to both sites. Installation at Mahipar has also been completed. Work at Naghlu is expected to be completed under the AF by early 2016. Under Component C, technical assistance activities including institutional capacity building of the implementation agencies, establishment of a unit for promotion of energy efficiency and demand side management, a study on electricity pole design, and collection of baseline energy usage information for the urban centers under the project etc. have all been completed.

### Transfer of Implementation Agency in the Additional Financing

Currently, the Ministry of Energy and Water (MEW) is the project implementation agency. Under the additional financing implementation responsibilities are transferred from MEW to Afghanistan's power utility DABS.

## VI. Safeguard Policies (including public consultation)

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
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)**

### **VII. Contact point**

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### **VIII. For more information contact:**

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