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IDA/R2017-0158/1

May 17, 2017

**Closing Date: Tuesday, June 13, 2017
at 6:00 p.m.**

FROM: Vice President and Corporate Secretary

Afghanistan - Urban Development Support Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed grant to Afghanistan for an Urban Development Support Project (IDA/R2017-0158), which is being processed on an absence-of-objection basis.

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Report No: PAD2112

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 14.80 MILLION
(US\$20.00 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF AFGHANISTAN

FOR AN

URBAN DEVELOPMENT SUPPORT PROJECT

May 10, 2017

Social, Urban, Rural and Resilience Global Practice
SOUTH ASIA

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CURRENCY EQUIVALENTS

(Exchange Rate Effective Apr 6, 2017)

Currency Unit = Afghani (AFN)

US\$1 = AFN67.36

AFN1= US\$ 0.0148

AFGHAN FISCAL YEAR

December 22-December 21

Regional Vice President: Annette Dixon

Country Director: Shubham Chaudhuri

Senior Global Practice Director: Ede Jorge Ijjasz-Vasquez

Practice Manager: Catalina Marulanda

Task Team Leader(s): Sateh Chafic El-Arnaout, Hyoung Gun Wang

ABBREVIATIONS AND ACRONYMS

ADM	Accountability and Decision-Making Framework
AFMIS	Afghanistan Financial Management Information System
ANPDF	Afghanistan National Peace and Development Framework
CBP	Capacity Building Program
CCAP	Citizens Charter Afghanistan Program
CIP	Cities Investment Program
CIPs	Capital Investment Plans
CPF	Country Partnership Framework
DA	Designated Account
DMM	Deputy Ministry of Municipalities
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESSS	Environmental and Social Safeguards Specialist
FMS	Financial Management Specialist
FR	Functional Review
FTS	Financial Training Specialist
GDP	Gross Domestic Product
GIS	Geographic Information System
GOA	Government of Afghanistan
GRM	Grievance Redress Mechanism
HCUD	High Council for Urban Development
IBRD	International Bank for Reconstruction and Development
IDLG	Independent Directorate for Local Governance
IDPs	Internally Displaced Persons
IFR	Interim Financial Report
ISN	Interim Strategy Note
KMDP	Kabul Municipal Development Project
MES	Monitoring and Evaluation Specialist
MUDH	Ministry of Urban Development and Housing
NCB	National Competitive Bidding
NUP	National Urban Policy
OECD	Organization for Economic Co-operation and Development
PCC	Provincial Capital City
PCT	Project Core Team
PISP	Policy and Institutional Support Program
PS	Procurement Specialist
PTS	Procurement Training Specialist
RAPs	Resettlement Action Plans
RPF	Resettlement Policy Framework
SAO	Supreme Audit Office

SCD	Systematic Country Diagnostic
SDP	Strategic Development Plan
SORT	Systematic Operations Risk-Rating Tool
TORs	Terms of Reference
TS	Technical Specialist
UDSP	Urban Development Support Project
UDSP CG	Urban Development Support Project Consultative Group
UNHABITAT	United Nations HABITAT
UNHCR	United Nations High Commissioner for Refugees
U-NPP	Urban National Priority Program
UMIS	Urban Management Information System
USAID	United States Agency for International Development
WB	World Bank

AFGHANISTAN: URBAN POLICY DEVELOPMENT PROJECT

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PAD DATA SHEET
Afghanistan
URBAN DEVELOPMENT SUPPORT PROJECT (P147147)
PROJECT APPRAISAL DOCUMENT
SOUTH ASIA
0000009353

Report No.: PAD2112

Basic Information			
Project ID P147147	EA Category B - Partial Assessment	Team Leader(s) Sateh Chafic El-Arnaout, Hyoung Gun Wang	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [X]		
	- Fragile States		
	Financial Intermediaries []		
Project Implementation Start Date 18-Sept-2017	Series of Projects []		
Project Implementation End Date 31-May-2020	Project Implementation End Date 31-May-2020		
Expected Effectiveness Date 18-Sep-2017	Expected Closing Date 30-Jun-2020		
Joint IFC No			
Practice Manager/Manager	Senior Global Practice Director	Country Director	Regional Vice President
Catalina Marulanda	Ede Jorge Ijjasz-Vasquez	Shubham Chaudhuri	Annette Dixon
Borrower: Ministry of Finance			
Responsible Agency: Ministry of Urban Development and Housing			
Contact:	Hamid Jalil	Title:	Deputy Minister for Finance and Administration
Telephone No.:	+93 (0) 202300192	Email:	hamid.jalil@mudh.gov.af
Safeguards Deferral (from Decision Review Decision Note)			
Will the review of Safeguards be deferred? [] Yes [X] No			
Project Financing Data(in USD Million)			
[] Loan	[X] IDA Grant	[] Guarantee	

[]	Credit	[]	Grant	[]	Other				
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				
Expected Disbursements (in USD Million)									
Fiscal Year	FY18	FY19	FY20						
Annual	6.00	8.00	6.00						
Cumulative	6.00	14.00	20.00						
Institutional Data									
Practice Area (Lead)									
Social, Urban, Rural and Resilience Global Practice									
Contributing Practice Areas									
Finance & Markets Global Practice									
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).									
Components									
Component Name						Cost (USD Millions)			
1. Urban Information - Building an Urban Management Information System						1.50			
2. Urban Institutions - Institutional and Capacity Development						4.50			
3. Urban Integration - Strengthening Urban Planning at National and Local Levels						5.00			
4. Urban Investments - Feasibility and Design Studies for Urban Infrastructure						7.00			
5. Project Management and Administration						2.00			
Systematic Operations Risk- Rating Tool (SORT)									
Risk Category							Rating		
1. Political and Governance							High		
2. Macroeconomic							High		
3. Sector Strategies and Policies							Moderate		

4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Moderate
9. Other (Conflict and Violence)	High
OVERALL	High
Compliance	
Policy	
Does the project depart from the CAS in content or in other significant respects?	Yes [] No [X]
Does the project require any waivers of Bank policies?	Yes [] No [X]
Have these been approved by Bank management?	Yes [] No []
Is approval for any policy waiver sought from the Board?	Yes [] No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X] No []
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
Legal Covenants	
Name	Recurrent Due Date Frequency
The Recipient shall establish and maintain a Grievance Redress Mechanism (GRM) for the Project.	No December 31, 2018 Once
The Recipient shall ensure that the Project is carried out in accordance with the ESMF and RPF in a manner and substance satisfactory to the Association.	Yes Throughout the Project implementation period n/a

The Recipient shall maintain the Project Core Team (PCT) with staff and resources in adequate numbers acceptable to the Association.		Yes	Throughout the Project implementation period	n/a
Conditions				
Source Of Fund	Name		Type	
Description of Condition				
Team Composition				
Bank Staff				
Name	Role	Title	Specialization	Unit
Sateh Chafic El-Arnaout	Team Leader (ADM Responsible)	Lead Urban Specialist	Urban Policy & Planning	GSU13
Hyoung Gun Wang	Team Leader	Senior Economist	Urban Economics	GSU12
Rahimullah Wardak	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	Procurement	GGO06
Syed Waseem Abbas Kazmi	Financial Management Specialist	Sr. Financial Management Specialist	Financial Management	GGO24
Juan Carlos Alvarez	Project Lawyer	Sr. Counsel	Legal	LEGES
Victor Ordonez	Finance Officer	Sr. Finance Officer	Financing	WFALA
Gul Sayyar Sayyar	Team Member	Consultant	Financial Management	GGO24
Abdul Wali Ibrahim	Team Member	Operations Officer	Operational Support	GSU12
Ahmed A. R. Eiweida	Peer Reviewer	Lead Urban Specialist	Urban Development	GSU08
Dean A. Cira	Peer Reviewer	Lead Urban Specialist	Urban Development	GSU09
Heela Alikhail	Team Member	Consultant	Operational Support	GSU12
Michelle Lisa Chen	Team Member	Program Assistant	Operational Support	GSU12
Mohammad Arif Rasuli	Environmental Specialist	Senior Environmental Specialist	Environmental Safeguards	GEN06

Mohammad Yasin Noori	Safeguards Specialist	Senior Social Development Specialist	Social Safeguards	GSU06	
Najla Sabri	Gender Specialist	Social Development Specialist	Gender	GSU06	
Stephen George Karam	Team Member	Consultant	Operational Support	GSU12	
Extended Team					
Name	Title	Office Phone	Location		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Afghanistan	Province of Herat Province of Balkh Province of Kandahar Province of Nangarhar Province of Khost	Herat City Mazar-i-Sharif City Kandahar Jalalabad Khost			
Consultants (Will be disclosed in the Monthly Operational Summary)					
Consultants Required		Consultants will be required			

I. STRATEGIC CONTEXT

A. Country Context

1. **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.

2. **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.

3. **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.

4. **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.

B. Sectoral and Institutional Context

5. **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.

6. 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.

7. 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)¹ 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.

8. 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).

Characteristics of the Five UDSP Provincial Capital Cities

Provincial Capital City / Province	Characteristics
<ul style="list-style-type: none"> • Herat, Province of Herat • Mazar-i-Sharif, Province of Balkh • Kandahar, Province of Kandahar • Jalalabad, Province of Nangarhar 	<ul style="list-style-type: none"> • Provincial cities that have served as traditional trade and transit links to the north, south, east and west, and are surrounded by large and fertile agricultural plains, but require planning support to leverage urban-rural linkages. • Strong and relatively diversified economies, including robust construction, manufacturing and services sectors. • Under considerable urbanization pressure. • Cities that serve their surrounding provincial areas.
<ul style="list-style-type: none"> • Khost, Province of Khost 	<ul style="list-style-type: none"> • A border city that is reliant on domestic markets and linkages with regional growth centers. • High degree of expatriate human capital that is helping to

¹ *State of Afghan Cities, MUDA, IDLG, Kabul Municipality, UN-Habitat, 2015*

	attract remittances and FDI. <ul style="list-style-type: none"> • Provides an important opportunity to test development planning strategies with a small, emerging city.
--	---

Source: State of Afghan Cities, MUDA, IDLG, Kabul Municipality, UN-Habitat, 2015

9. **The national framework guiding municipalities sets an ambitious vision for the sector.** It advocates an efficient and productive local governance tier, where mayors and municipal councils are democratically elected and are accountable to the population to deliver services and lead the development and sustainable management of cities. The Afghan Constitution (2004) Article #141 empowers municipalities to: administer city affairs and assume responsibility over public services that are best planned, produced, and delivered at the local level; lead public participation by “linking bottom-up and top-down planning”; and raise and spend own source revenues for service delivery. Municipalities do not receive any central government fiscal transfers and must raise their own revenues for delivering local services and sustaining operations. The one exception is Kabul Municipality, which does receive a transfer from the central government to supplement its own-source revenue.

10. **Afghan PCCs have grown haphazardly and informally, with limited access to affordable and quality basic services, and with considerable socio-economic divisions and exclusion.** Urban plans that are not comprehensive nor meeting international standards, coupled with weak municipal governance, limit the ability of PCCs to ensure equitable service delivery and effectively manage the urbanization transition facing the country. As a result, national priorities consist of supporting PCCs to achieve self-reliance and become drivers of economic development. Improving living conditions and service delivery in urban centers is paramount; the Urban National Priority Program (U-NPP) and the associated comprehensive urban development program lay the foundations for a sustainable urban future in the country.

11. **Institutional arrangements for urban development and management are defined in Afghanistan's Constitution, which grants municipalities the responsibility to administer city affairs.** The country's legal and regulatory framework for urban development and local administration, however, remains in transition, leading to many ambiguities in roles and functions across agencies. Municipalities are fiscally autonomous, but authorities, functions, and financial resources are not fully decentralized. They face unfunded mandates, and centralization constrains them from fulfilling some critical municipal services. In order to function as effective organizational entities, municipalities will require: (i) powers to make, change and enforce land use plans and regulations, including regulations regarding the use of local physical space and local economic development; (ii) authority to administer and manage local government finances and manage local procurement; (iii) responsibility to engage in local human resource management and make local employment decisions; and (iv) flexibility to administer and deliver local government services². Until these changes take effect, service delivery to growing urban populations will remain an overwhelming challenge in an environment of rapid urban growth and severe resource constraints.

12. **The Urban Development Support Project (UDSP) represents the first phase of World Bank support for strategic urban development in Afghanistan.** This approach consists of providing, in the first instance, technical, policy and institutional support aimed at creating an enabling policy

² An Assessment of Afghanistan's Municipal Governance Framework, Urban Institute, Center on International Development and Governance, August 2010.

framework and capacity at the national and local levels to strengthen city planning, management and service delivery to five PCCs. This is expected to be followed, at a later stage, by a performance-based Cities Investments Program (CIP) aimed at strengthening the role of PCCs in promoting economic growth through catalytic investments and improved urban service delivery. The UDSP would complement the Government's flagship and Bank-financed Citizens' Charter Afghanistan Program (CCAP), which has broad outreach across the entire country at the community and district level, by targeting municipalities in large provincial population centers to strengthen service delivery at a scale that will help promote economic opportunities and improve city livability.

13. Government counterparts for the above program are of a national and local nature. They include, at the central level, the Ministry of Urban Development and Housing (MUDH), the Independent Directorate for Local Governance (IDLG) and, at the local level, the five selected PCCs. Under the IDLG, the Deputy Ministry of Municipalities (DMM) is responsible for all municipalities in Afghanistan (33 provincial municipalities and over 120 district municipalities, i.e., urban centers of rural districts). Kabul, as the nation's capital, is distinct, and reports directly to the President. Each of the 33 Provincial Municipalities has a mayor who is directly appointed by IDLG and endorsed by the President.

14. The project design assumptions of UDSP are driven by the political, institutional and socio-economic context of the Afghan PCCs. These assumptions aim at:

- Introducing participatory and collaborative planning processes through a “learning by doing” approach in the context of the UDSP.
- Piloting reform policies and capacity building activities that can be rolled out nation-wide over time.
- Ensuring that all future urban projects, programs and plans are harmonized within the context of the U-NPP, guided by a strategic urban policy framework, and coordinated by a streamlined MUDH and IDLG.
- Preparing investment projects that provide mutual benefits to IDPs, returnees and host communities.
- Through a programmatic performance-based approach, encouraging local revenue generation activities on the part of municipalities to foster fiscal sustainability and autonomy.

15. The UDSP will focus on the four critical challenges facing urban management in the PCCs: Urban Information, Urban Institutions, Urban Integration, and Urban Investments (4 Is). The rationale for selecting these thematic areas is outlined below:

- *Urban Information* – Given that Afghanistan's future is urban, managing such a transition requires accurate data and information. The MUDH has been challenged to pro-actively guide the growth of Afghanistan's cities and harness urbanization as a driver of development. Good urban governance and management require reliable data to make appropriate and responsive policies and decisions.
- *Urban Institutions* - There is an acute need for a more coordinated approach to urban management. Reducing overlapping mandates and enhancing cooperation between line departments and PCCs is important. This is particularly critical in the context of land administration and housing. It is also necessary to equip Government institutions and PCCs with a wide range of skills associated with urban planning and management, as urban development in

Afghanistan is likely to be driven by multisector partnerships involving the government, PCCs and the private sector.

- *Urban Integration* - The absence of an effective and coherent planning and land management system has further fueled urban informality and poorly integrated urban spaces. Informal settlements account for over 70 percent of the housing in Afghanistan's urban centers. This is compounded by the weak quality of housing stock, the influx of returnees and internally displaced people, and increasing congestion and mobility that arises in the absence of effective planning.
- *Urban Investments* - Addressing the infrastructure deficit in PCCs and closing service gaps between serviced and underserved areas is an urgent priority. The PCCs need to focus on the interconnection between the availability of social and economic infrastructure and economic development. This can only be achieved through a sustainable increase in local revenues, improved budgeting, and instituting more accountable and transparent expenditure systems (as well as reporting).

16. Urban policy reforms and institutional development are high priorities in the Government's policy agenda. The recently issued Afghanistan National Peace and Development Framework (ANPDF) 2017-2021, which serves as a guiding framework for the country's development program and donor aid, underscores urban development as a top policy priority. ANPDF cites the need to: (i) create a network of dynamic, safe, and livable urban centers; (ii) more fully exploit the economic growth opportunities that cities offer; and (iii) decentralize urban planning to the local level, while promoting participatory urban governance mechanisms.³

C. Higher Level Objectives to which the Project Contributes

17. The proposed UDSP aims to support the Government's vision expressed in the ANPDF and its long-term objective of reducing poverty, while strengthening the relationship between local governments and their residents. Making Afghan cities engines of economic growth and drivers for development are key reform priorities of the Government. This is reflected in the U-NPP's Vision that revolves around three key pillars: (i) strengthening urban governance and institutions; (ii) ensuring adequate housing & access to basic urban services for all; and (iii) harnessing the urban economy and infrastructure. In order to implement the above, the Government has launched four U-NPP flagship actions: (i) The Municipal Development Program and Legislative Reform; (ii) The National Housing Program; (iii) The City for All; and (iv) The City Regions Economic Development Program. UDSP is well aligned with these four strategic priorities and will contribute to the formulation of an affordable housing strategy and policies, mechanisms to improve local governance, and strategies and programs aimed at supporting cities to serve as engines of national economic growth.

18. The UDSP will help achieve the U-NPP vision by: (i) supporting the development of appropriate strategies and policies to, *inter alia*, improve local strategic planning; (ii) promoting affordable housing; (iii) developing multiyear priority investment programs; and (iv) preparing a set of catalytic investments in PCCs in response to emerging priorities. To achieve this higher level objective, the Project would promote active engagement between local governments in the five participating PCCs and their constituents in strategic development and land use planning, with public consultations

³ Afghanistan National Peace and Development Framework 2017-2021 Document, 2017.

during all phases. These and other community consultation arrangements are reflected in the commitments made and agreed between MUDH and the PCCs.

19. The Project is consistent with the Systematic Country Diagnostic (SCD) for the 2017-20 Country Partnership Framework (CPF), which identifies weak state institutions as being among the most persistent challenges. In addition, improvements in service delivery coupled with sound prioritization of infrastructure investments, have been identified as being critical in an environment of tight budgetary constraints. In responding to the challenges facing host communities for incoming migrants, project activities are expected to provide policy options in tackling demographic pressures resulting from rural-urban migration and the large-scale influx of IDPs and returnees. The Project also supports the Government's 2016 U-NPP, which elevates the urban development agenda to one of the Government's foremost policy priorities.

20. The Project is aligned with the World Bank Group's Twin Goals of eliminating extreme poverty by 2030 and boosting shared prosperity, measured as the income of the bottom 40% of the country's population. As the first phase of a programmatic approach, UDSP will focus on the urban policy and institutional dimension by helping policy makers develop affordable housing policies, strategies and mechanisms to address the housing needs of the bottom 40% of the population. It will also strengthen planning in the participating provincial capital cities with the aim of improving the delivery of municipal services to households and businesses. Finally, UDSP will identify and prepare investment projects that will address high priority needs of the targeted communities. It is anticipated that UDSP could be rolled-out in a programmatic manner through a "Cities Investment Program (CIP)" now under discussion with the Government that will finance prioritized investments using performance-based grants.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

21. 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).

B. Project Beneficiaries

22. Direct beneficiaries of the Project will be staff of national government agencies and the five participating municipalities through capacity building and training, as well as systems development. Residents of the five PCCs, estimated at just over 1.5 million, will benefit both directly and indirectly. They will be actively involved in and consulted on the development planning and land use planning work carried out in their cities, which will contribute to improved livability and mobility for both women and men. They will also help to define the critical infrastructure needs for their cities through consultation workshops organized during each phase of the planning process and will eventually benefit from the potential post-UDSP investment projects to improve service delivery. Women, the poor, and underserved

members of communities (including IDPs and refugees) will be identified as a distinct demographic in the Urban Management Information System (UMIS) baseline data collection exercise, using specially-tailored survey instruments and in future monitoring of impacts. Disaggregated data will help to inform policy formulation with particular focus on women and the poor, and surveys to be carried out in the target PCCs will focus on specific areas for improving access to services, such as mobility and access to public transportation.

C. PDO-Level Results Indicators

23. The proposed PDO-level results indicators are:

- National Urban Policy formulated and under implementation, achieving early stage results.
- National urban development planning framework in place.
- Number of Participating cities that have prioritized Capital Investment Plans to enhance service delivery.
- Number of direct beneficiaries from the Project at the five PCCs.

III. PROJECT DESCRIPTION

A. Project Components

24. The proposed Project is comprised of five components, as outlined below; Annex 1 provides a more detailed project description.

25. **Component 1- Urban Information: Building an Urban Management Information System (UMIS, US\$1.50 million).** 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; (iii) annual data updates as well as maintenance of hardware and software of the UMIS.

26. **Component 2 – Urban Institutions: Institutional and Capacity Development (US\$4.50 million).** 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 period⁴; (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 Land Use Management, (b) Urban

⁴ The Functional Review and its Action Plan will further define any specific capacity building needs at relevant agencies.

Regeneration through public-private partnerships, (c) Affordable Housing, and (d) Municipal Finance; and (iv) provision of training through in-country structured training programs, as well as customized out-of-country group and individual training programs. This will include, *inter alia*, setting an urban policy agenda, urban redevelopment guidelines, zoning regulations, affordable housing policy, mechanisms that promote private-public partnerships in urban development, and municipal finance, as well as strategies for urban disaster risk management/resilience and in-country structured training programs and custom-designed out-of-country group and individualized training programs.

27. **Component 3 – Urban Integration: Strengthening Urban Planning at National and Local Levels (US\$5 million).** 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 identify specific gaps and options for addressing them in the SDP. This assessment and at least one priority project for women to be included in each participating city's SDP will be indicators monitored under UDSP.

28. **Component 4 – Urban Investments: Feasibility and Design Studies for Urban Infrastructure (US\$7 million).** 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.

29. 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 feasibility studies. This is of critical importance today given the formidable demographic, social and economic pressures being exerted on PCCs as a result of the massive and sudden influx of Afghan IDPs and returnees. As such, establishing a level-playing field for economic opportunities to both the host communities and the forcibly displaced population becomes a top urban policy priority.

30. Only the detailed designs of priority investments would be financed under this component. These will be based on economic/financial analysis and alternative design considerations, with the aim of minimizing any potential social or environmental impacts and will pave the way for a follow-on performance-based "Cities Investment Program (CIP)" proposed for financing by the World Bank.

31. **Component 5: Project Management and Administration (US\$2 million).** 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.

B. Project Cost and Financing

32. The table below summarizes project costs and financing by component.

Project Components	Project cost	IDA Financing
Component 1: <i>Urban Information</i> - Building an Urban Management Information System	1.50	1.50
Component 2: <i>Urban Institutions</i> - Institutional and Capacity Development	4.50	4.50
Component 3: <i>Urban Integration</i> - Strengthening Urban Planning at National and Local Levels	5.00	5.00
Component 4: <i>Urban Investments</i> - Feasibility and Design Studies for Urban Infrastructure	7.00	7.00
Component 5: Project Management and Administration	2.00	2.00
Total Costs	20.00	20.00
Total Project Costs	20.00	20.00
Total Financing Required	20.00	20.00

C. Lessons Learned and Reflected in the Project Design

33. The Project design reflects lessons learned from nearly two decades of implementing projects in Afghanistan and other conflict-affected countries, including the IEG's Afghanistan Country Program Evaluation Report (2002-2011). Among the recommendations in the report are the need for the World Bank to: assist the government develop a comprehensive human resources strategy; focus on strategic level analytical work to develop long-term assistance strategies in sectors that are high priority for the government; and support the development of a coherent, shared approach to sub-national governance to enhance the sustainability of national programs.

34. Other key lessons incorporated in the project design include:

(i) **Simplicity** of design and clarity of focus.

(ii) **Complementarity** with other donor interventions, albeit not dependent on them, given the fluid operating environment that requires flexibility.

(iii) **Flexibility** by budgeting for potential cost overruns. Project components have been designed to permit their scope to be modified as required. The project includes contingencies to take cost escalation into account.

(iv) **Predictability** by providing sufficient time for project-financed activities, recognizing challenges in the recruitment of internationally-qualified expertise when needed. Project design also supports the preparation of priority and critical investments in Years 2-3, so that an infrastructure investment project can be prepared/appraised in parallel before UDSP closes.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

35. UDSP will be implemented by MUDH in support of Afghanistan's High Council for Urban Development (HCUD) at the policy-making level. The latter was established in January 2016 to foster inter-agency policy coordination in formulating and implementing the Government's high priority urban policy agenda. The HCUD is chaired by the President of the Republic and is charged with developing cross-cutting policies to address critical city challenges, while converting cities into a critical driving force for the national economy. In addition to MUDH, the Council is comprised of the following agencies: the Ministries of Public Works, Finance, Economy, and Transport, Kabul Municipality, Land Authority, IDLG, Environmental Protection Agency, Electricity Enterprise, Water Supply and Sewage Utility, and Afghanistan Builders Association. MUDH serves as the Technical Secretariat for HCUD and provides technical inputs and briefs, and facilitates the preparation of legal and regulatory documents arising from HCUD decisions.

36. 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 (NTSs) 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.

37. 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.

38. 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.

39. 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.

B. Results Monitoring and Evaluation

40. The Results Framework (Section VII) will be used to monitor and evaluate the Project's performance and will be reported on a quarterly basis in the Project Progress Reports prepared by the PCT. Results monitoring will benefit from the baseline city data gathering and analysis that is programmed under the UMIS (Component 1). As noted above and to enable the flexible approach emphasized as part of the Risk Mitigation Strategy, the UDSP CG will be responsible for overseeing the orderly gathering of data and information for reporting on and making Project adjustments when needed. Regular visits by field-based Bank staff to project beneficiary institutions, coupled with regular video conference meetings (as may be required) with the PCT, will help to identify and remedy implementation bottlenecks in a timely manner. The cost for Project monitoring staffing is included in Component 5.

C. Sustainability

41. The Project design is centered around the building of Afghan national human and institutional resources, systems, standards and competencies, so that over time they will take the lead and become less reliant on short-term technical expertise that has been mobilized in the past. UDSP introduces incentives for performance improvement at the local level by making the investment financing anticipated in a follow up operation conditional on the readiness of bankable priority and catalytic investment projects.

42. MUDH has taken the lead in elaborating the U-NPP and has established the High Council for Urban Development to coordinate urban policy across a range of stakeholder policy-making agencies. It has been exposed to international good practices in urban management in Turkey, Indonesia, Iran and Europe and has elevated the urban agenda to the highest level. The Ministry is renovating its office building and is refitting facilities with office equipment and furniture to foster a more conducive working environment for staff. The dedicated capacity building, training, and systems development fostered under UDSP will help advance the capacity of MUDH and the participating PCCs in better fulfilling their responsibilities.

43. The prevailing security situation, political uncertainties, and a volatile macro-fiscal status are key factors that could affect the long-term sustainability of the Project. These are beyond the Project's control but have been taken into consideration in Project design. Building to the maximum extent possible on local human capital and focusing the Project on providing both capacity building support and flexibility to make adjustments along the way will help to respond to exigencies that arise in the challenging implementation context.

D. Role of Partners

44. Donor partnerships in the urban sector have played a key role in supporting GOA over the years. MUDH has collaborated effectively with sector donors in preparing the U-NPP. Key donor actors in the sector (who include UN Habitat, the Government of Australia, and USAID) have been consulted during the preparation of this Project. USAID's SAHAR Project, which was launched in 2015, targets 20 provincial municipalities in four regions, and is similar in scale to UDSP. SAHAR will complement UDSP by addressing the key issues of municipal finance and strengthening financial management, with particular emphasis on local revenue generation. UDSP's focus on land use planning and infrastructure investments will be an important complement to these other donor initiatives.

45. In addition to regular sector meetings organized by MUDH for coordination, MUDH and the Bank will actively seek the collaboration and support of sector partners during UDSP implementation, including UN Habitat. This will ensure harmonization of donor partner support for the Government of Afghanistan in the urban sector, including Citizens' Charter and SAHAR, among other relevant programs.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

46. The overall implementation risk of the project is rated **“high”**, as shown in the SORT table in the Data Sheet. Risks relating to Political and Governance, as well as Macroeconomic Risks, and Conflict and Violence are rated high, while risks relating to Institutional Capacity for Implementation and Sustainability and Fiduciary are rated substantial.

47. **Political and Governance.** Two key risks are identified in the CPF: (i) Risks of political instability, which may cause the reform momentum to become personalized around the President rather than institutionalized across the government; and (ii) Increasing internal and external pressures that could side-track strategic decisions. The Bank Group has limited ability to mitigate these risks, but will aim to maintain a flexible approach, and UDSP is designed flexibly to respond to these exigencies, should they arise.

48. **Macroeconomic and fiscal sustainability risks.** The prospects for more rapid economic growth and substantial increases in domestic revenue generation are limited over the next four years. The UDSP is aligned with the Bank Group risk mitigation strategy of supporting more efficient public expenditure management. This will be achieved through support in developing an enhance MUDH Contract Management System, improved local government investment expenditure planning (Capital Investment Plans developed at the five PCCs), and increasing domestic revenue mobilization capacity through performance benchmarks for revenue mobilization for the five PCCs.

49. **Institutional Capacity for Implementation and Sustainability.** Capacity is weak and the government is suffering from talent drain. UDSP is aligned with the Bank Group risk mitigation strategy by focusing on capacity building, reflecting the evolving level of government absorptive capacity, and ensuring a simple project design, where the level of ambition can be further downscaled if necessary.

50. **Sector Policy Coordination and Institutional Arrangements.** Similar to other rapidly urbanizing developing countries, Afghanistan faces major challenges and risks in managing urban growth with significant pressures on urban policy makers and institutions. Accordingly, the Government of Afghanistan (GOA) has established in 2016 a High Council for Urban Development that brings together over 10 national agencies to coordinate national policies and programs. MUDH is the Technical Secretariat to the HCUD and will be supported under UDSP with international experience in elaborating sound policies and benchmarking itself against international good practices. At the Project Level and to further reinforce effective vertical (national agencies and local governments) and horizontal (across national government agencies) planning and policy coordination, a UDSP Consultative Group (UDSP CG) has been formed to include MUDH and its provincial administrations, IDLG, and the five participating PCCs. The UDSP CG is expected to help develop a programmatic approach that initiates policy and institutional consolidation and capacity development under MUDH with investments and performance improvements at the city level through the PCCs in coordination with IDLG.

51. **Fiduciary.** MUDH has been accredited by the Procurement Policy Unit of Ministry of

Finance in 2012 and has experience in implementing ARTF-financed operations. However, the Bank assessment of MUDH noted ways of improving budget execution, weaknesses in the system of recording and recovery of revenue arrears, and an internal audit function that is not compliant with international standards. Under Component 2 of the Project, technical assistance will be provided to MUDH to plan and execute the budget in line with policy objectives, establish management reporting systems for effective monitoring, and make internal audit compliant with international standards, while strengthening the overall control environment.

52. **Conflict and violence.** The insurgency at the present time encompasses much of the country, which raises issues for effective implementation and monitoring of sub-projects. This is being addressed by selecting participating cities where the situation is less volatile, coupled with innovative implementation support mechanisms. These include increasing the budget for supervision and third-party monitoring; building effective resident feedback and consultations mechanisms into the project design (through participatory strategic development planning and capital investment planning, both undertaken at the city level), and dedicating implementation support via City Coordinators at the local level.

VI. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

53. The Project is designed to strengthen development planning at the local level and is expected to have important and tangible impacts on local tax revenue collection and in attracting private sector investment. These anticipated outcomes are likely to have an important effect on local economies and local administrations, both of which are in dire need of new sources of revenue and financing. In addition, the Project, through Component 4, would help to develop a pipeline of bankable investment projects to improve service delivery and the prospects for attracting complementary private investment.

54. The Project's training and capacity building activities, however, are not amenable to economic analysis in quantifiable terms. Hence a traditional cost-benefit analysis is not feasible. The Bank will confirm that the competitive selection of consultants achieves economy and efficiency. The Bank will review the ToRs to ensure that they are appropriate and will review the selection of consultants to ensure that they are qualified for the assignments. In addition, the Bank will review the draft technical outputs to ensure that the analysis is thorough and of high quality, and that the recommendations are appropriate.

B. Technical

55. For a variety of reasons, UDSP's design differs from conventional urban infrastructure operations that often combine elements of infrastructure finance and technical assistance. These design adjustments reflect: (i) the need to simplify implementation arrangements to a single national level agency; (ii) recognition of the limited capacity upstream to identify and prepare priority catalytic investment projects quickly; (iii) the need to move from short-term emergency

interventions to medium/long-term institution building that will provide a foundation for self-initiated actions on the urban development agenda in the future; and (iv) the importance of prioritizing local investment financing to a demand-driven, performance-based incentive approach.

56. The UDSP design of not only supporting local administrations in developing their planning and urban management capacities and systems, but also preparing multiyear capital investment plans (CIPs) linked to land use plans and bankable prioritized investment projects, is considered appropriate. In addition, within the UDSP framework, each city will be able to move at its own pace, and financing (expected to be made available under a follow on operation) can be programmed for those cities that have successfully prepared prioritized and catalytic project pipelines. This provides participating local governments a strong incentive to organize and mobilize local communities, resources and skills around the prospect of attracting investment project financing from the central government. The UMIS will be utilized to help establish baseline performance and capacity of participating PCCs, benchmark against good international practice, and offer performance incentives, such as financing downstream, that will act as a strong incentive to improve performance. The design of this performance-based system will be detailed in the Operations Manual of the follow on operation, but vital inputs to this Operations Manual will come at the design phase from UDSP.

57. Project design relies on adapting existing urban diagnostic and management tools to the needs of MUDH and participating local governments; e.g., the design and uses of the UMIS will be influenced in part by UN Habitat's experience over many years of advising on urban observatories across the developing world. It will therefore emphasize gathering data on the most critical urban development issues with important implications for service delivery improvements and project design, and avoid burdening stakeholders with time consuming data collection for its own sake. Capacity building programs will make extensive use of existing tools, such as the Urban Audit, suitably adapted to Afghanistan.

C. Financial Management

58. The FM responsibilities for this Project will rest with the MUDH Director of Finance. Day-to-day activities will be carried out by a Financial Management Specialist (FMS) who will be a part of the Project Core Team (PCT). The FMS will report directly to both the Project Director as well as the MUDH Director of Finance. The Bank will conduct FM clinics for MUDH FM staff as needed to familiarize them with Bank procedures and requirements, and will continue to provide needed assistance throughout implementation.

59. Risks identified in the Bank's FM Assessment indicated three principal areas of deficiency: (i) weak budget execution; (ii) weaknesses in the system of recording and recovery of revenue arrears; and (iii) an internal audit function that is not compliant with international standards. Under the project, these three areas of risk will be addressed by developing strategies and systems to enhance MUDH FM capacity beyond the project fiduciary requirements. Support will be provided in the form of formal training, development of systems, and close monitoring of the risk areas for the duration of the Project.

D. Procurement

60. **MUDH's Procurement Department (PD) will be responsible for implementing the procurement aspects of the Project, in keeping with the mainstreaming of the project design.** The PD has 27 staff members, including civil servants and contracted staff. As mentioned earlier, MUDH has been accredited by the Procurement Policy Unit of the Ministry of Finance in 2012. The Bank's procurement assessment noted that the PD is staffed with a qualified and experienced Procurement Director, who has extensive experience in implementing Bank-financed projects. However, the civil servant staff has limited experience in handling the hiring of consultancy firms and has little experience in the procurement of high value and complex goods packages. To mitigate this risk, the following measures will be taken under the Project: a Procurement Specialist and a Procurement Training Specialist will be hired to handle the additional workload represented by the project; the capacity of civil services will be developed through training and systems development; support will be provided in the procurement of complex and high value contracts; and support for contract management. The Bank will support these efforts by reviewing the first National Competitive Bidding (NCB) goods contracts and the selection of consultancy firms regardless of value.

61. **The Procurement Specialist (PS) will serve as the UDSP Procurement Focal Point under the Project and will be a key member of the Project Core Team.** In addition to the PS, a Procurement Training Specialist (PTS) will be recruited under the Project to facilitate capacity building within the Procurement Department. This will include providing support to the Project in preparing and updating the procurement plan, monitoring contract implementation, providing training on the job for MUDH procurement personnel, and supporting both the Procurement Department and the Project in achieving their objectives.

62. **Procurement plan.** A Procurement Plan for the first 18 months of project implementation has been prepared and reviewed by the Bank. The Procurement Plan will be disclosed at the MUDH website as well as at the Bank, and will be updated annually (or as needed) to reflect changes during implementation. More details on procurement are provided in Annex 2.

E. Social (including Safeguards)

63. **The project triggers OP 4.12,** because the TA activities under Components 3 & 4 are likely to have implications on post-UDSP follow-on investment projects that could impact individuals and/or communities in different ways. Given that the precise details of all TA activities, particularly the preparation of feasibility and design studies for critical infrastructure under Component 4 are not known, an Environmental and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF) have been prepared to guide the preparation of any Environmental and Social Management Plans (ESMPs) or Resettlement Action Plans (RAPs) for post-UDSP follow-on projects.

64. The ESMF contains the requisite comprehensive Terms of Reference (TORs) for ESMPs and RAPs. ESMF consultations with stakeholders, including the participating municipalities, were conducted on 13 February 2017 in Kabul and the minutes of this consultation are included in the final

ESMF. The ESMF/RPF were disclosed in-country at MUDH and at the website of the Independent Directorate for Local Governments (IDLG) website for the five participating municipalities on 18 March 2017, and at the World Bank on March 20, 2017.

65. The Project is designed to enhance social engagement on aspects of strategic and physical land use planning at the local level. As such, its impact is expected to be positive to the extent that mechanisms are put in place in the city level planning consulting services to be financed under the Project. It will encourage and build-in community consultations at the city level at each of the planning stages. This will be assured by incorporating several stages of public/community consultations in the Terms of Reference (TOR) of the consultants who prepare the city-level strategic development and land use plans. In addition, TORs for feasibility and design studies will include a distinct task for the consultants to identify any potential environmental or social safeguard risks or triggers and to propose a mitigation plan to address such potential risks.

66. **The World Bank's operational policy on Physical Cultural Resources (OP/BP 4.11) is also triggered,** because the feasibility and design studies for critical infrastructure in the selected cities will cover the old city areas, which are rich in physical cultural resources. These physical cultural resources are mostly immovable structures that include mosques, Khanaqa, temples, Hamams, and residential buildings. The ESMF includes screening provisions for evaluating potential impacts and will provide specific guidance for the preparation of requisite cultural heritage management plans. The ESMF will also comprise guidelines for Chance Find Procedures according to national law, which will apply to the post-UDSP follow-on projects.

67. **Citizen Engagement (CE).** Citizen engagement under UDSP includes consultations, a grievance redress mechanism (GRM), and beneficiary feedback on draft feasibility and design studies for critical infrastructure under Component 4. Public feedback will be sought on the TA activities under Component 3 regarding strategic development planning at the local level and will involve structured public consultation workshops at each phase of the planning process. Consultation with project beneficiaries and potentially affected families of post-UDSP follow-on projects will take place during appropriate stages of the TA activities, particularly for Components 3 and 4. The ESMF/RPF includes a mechanism for a two-way interaction between residents and governments (MUDH and the five participating municipalities).

68. The ESMF includes a detailed mechanism for grievance handling, including responsibilities of key stakeholders to address public concerns. The Government will establish an effective GRM no later than December 31, 2018, which would include: (i) public awareness among beneficiaries on the use of GRM services; (ii) establishing multiple channels and locations for submitting grievances; and (iii) proper registration of all grievances related to project activities to enable tracking and review.

F. Environment (including Safeguards)

69. **The Project is classified as Category B for environmental safeguard purposes.** Project activities are generally expected to have positive environmental impacts both during implementation and over the long-term, through measures to be adopted for environmental protection, zoning regulations, and other regulatory and environmental mitigation procedures introduced under the Project. Urban policies formulated under Component 2 may have social and environmental implications. As such, the policy formulation process will incorporate as a task of the consultants an assessment of any potential environmental and social impact of those policies. Under Project Component 3, where SDPs will be prepared, the consultant terms of reference will have a social and environmental dimension in their Terms of Reference to ensure that Bank environmental safeguards policies are applied and environmental impacts are carefully considered, and environmental management plans are put in place wherever relevant. Under Component 4, feasibility studies and infrastructure investment designs financed under the Project will include a dedicated consultant task in the terms of reference to identify any potential environmental or social risks and propose appropriate mitigation measures, including the preparation of an Environmental and Social Management Plans (ESMPs) and Resettlement Action Plans (RAPs) wherever relevant and in accordance with Bank guidelines.

G. Other Safeguard Policies

Not Applicable

H. World Bank Grievance Redress

70. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VII. RESULTS FRAMEWORK AND MONITORING

Project Development Objective Indicators

Indicator Name	Baseline	YR1	YR2	YR3	End Target
National Urban Policy formulated and under implementation, achieving early stage results	No		NUP in Draft and under consultations	NUP completed and under implementation	Yes
National urban development planning framework in	No		Planning Framework in Draft and under consultations	Planning framework adopted and under implementation	Yes
Number of Participating cities that have prioritized Capital Investment Plans to enhance service delivery	0			5 CIPs completed	5
Number of direct beneficiaries from the Project at the five PCCs	0			1.5 million	1.5 million

Intermediate Results Indicators

Indicator Name	Baseline	YR1	YR2	YR3	End Target
Urban Management Information System established at MUDH and five participating Municipalities	No	First Beta version established for testing	UMIS operational with 5 PCC data in place and operational	UMIS tested/adopted and rollout initiated to other municipalities	Yes
Planning Functional Review & Capacity Building Action Plan completed and under implementation	No	Preliminary Assessment Completed	Full Functional Review Completed with Action Plan	Action Plan under implementation	Yes
Number of participating cities with Local Strategic Development Plans	0		2 PCCs complete Local Strategic Development Plans	5 PCCs with completed Local Strategic Development Plans	5
Number of participating cities that have conducted a gender-based assessment of access to municipal services	0		2 PCCs with gender-based assessments completed	5 PCCs with gender-based assessments completed	5
Number of participating cities with pipeline of priority infrastructure projects identified in CIP and prepared projects attracting public and private financing	0		2 PCCs with initial investment project designs and feasibility studies completed	5 PCCs with completed investment project designs and feasibility studies completed	5
Number of participating cities	0		2 PCCs with at least one priority project for	5 PCCs with at least one priority project for	5

proposing at least one priority project for women in their Strategic Development Plans (SDP)			women in their SDP.	women in their SDP.	
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Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
National Urban Policy formulated and under implementation, achieving early stage results	UDSP will support MUDH in developing a National Urban Policy (NUP) with an Action Plan and performance milestones to be monitored using the Urban Management Information System (UMIS).	Annually	Completed NUP and Action Plan	MUDH in conjunction with municipalities
National urban development planning framework in place	National urban planning framework developed and adopted that includes planning standards, roles/planning hierarchy defined, guidelines, manuals and training materials developed and used at the local level.	One time	Completed planning framework document, guidelines and manuals.	MUDH in consultation with municipalities
Number of Participating cities that have prioritized Capital Investment Plans to enhance service delivery	UDSP will support participating cities in preparing CIPs linked to city development strategies and detailed land use plans with specific service delivery improvement targets.	One time	Completed CIPs, UMIS database	Participating cities and MUDH in its oversight capacity.
Number of direct beneficiaries from the Project at the five PCCs	Number of residents benefitting from completed Strategic Development Plans, Multiyear Capital Investment Programs and Pipeline of Priority Investment Projects in tender ready status aimed at improving services to residents and businesses.	One time	Project Progress Reports; field visits to PCCs; Officially Approved Documents, UMIS database	Participating cities and MUDH in its oversight capacity.

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Urban Management Information System established at MUDH and five participating Municipalities	No description provided.	Annual	Project Progress Report; Municipality Annual Reports; MUDH collected data from Urban Council	MUDH and participating municipalities
Planning Functional Review & Capacity Building Action Plan completed and under implementation	MUDH completes a Planning Functional Review and develops a capacity building action plan with baseline and performance improvement targets	Complete in Y1; Annual Monitoring	Project Progress Report; Functional Review Report and Capacity Building Action Plan	MUDH
Number of participating cities with Local Strategic Development Plans	UDSP participating cities will have completed their Local Strategic Development Plans with consultant support.	One Time	Project Progress Report; UMIS; Completed Local Strategic Development Plans	UDSP participating cities
Number of participating cities that have conducted a gender-based assessment of access to municipal services	Gender-based assessment of access to municipal services implemented	One time	Gender-based assessment study	UDSP participating cities
Number of participating cities with pipeline of priority infrastructure projects identified in CIP and prepared projects attracting public and private financing	Capital Investment Plans prepared with feasibility and design studies for priority projects.	One time	Project Progress Report; Completed CIPs and feasibility/design studies for investment projects.	UDSP participating cities
Number of participating cities proposing at least one priority project for women in their Strategic Development Plans (SDP)	One priority project for women in Strategic Development Plans	One time	Project Progress Report; Completed CIPs and feasibility/design studies for investment projects.	UDSP participating cities

ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY: AFGHANISTAN URBAN POLICY DEVELOPMENT PROJECT

The Project design consists of five components to be implemented by the MUDH in close collaboration with the five participating municipalities of *Herat, Jalalabad, Kandahar, Khost and Mazar-e-Sharif*. This Project design builds on the premise that urban planning, urban development and service provision require sound transversal management and strong vertical and horizontal coordination among various stakeholders concerned. This is essential in a context where major cities in Afghanistan are facing mounting socio-economic challenges coupled with tight fiscal constraints. The total estimated project cost is US\$20.00 million focusing on building the 4 Urban “I”s (*i.e. Urban Information, Urban Institutions, Urban Integration and Urban Infrastructure*), as follows:

COMPONENT 1: URBAN INFORMATION - *Building an Urban Management Information System (UMIS - US\$1.50 m)*:

This component would be implemented by MUDH and would assist national and local government agencies in fulfilling their mandated functions, supported by accurate and timely urban data and information. This will be achieved through the establishment at MUDH of an urban database to support policy formulation and the monitoring of policy implementation and sector performance over time. At the local level, the Project would assist Provincial Capital Cities (PCCs) and regional branch offices of MUDH to gather local data and information on demographics, housing, infrastructure services, and the local economy using standardized surveys and other data collection methods. The Component will also be designed to capture, analyze, and monitor data and information that will strengthen city resilience to natural and man-made disasters and their consequences. In addition to gathering data on service delivery to the entire population of the PCCs, efforts will be devoted to monitoring IDPs and refugees within the cities and generating disaggregated data on the basis of gender and low income households to improve targeting of disadvantaged groups.

This component will be planned and implemented in close coordination with other relevant government agencies and donor partners, as it will support the information gathering needed to produce subsequent issues of the *State of Afghan Cities* Report. The main contribution of this component is that it would help to establish an institutionally-grounded approach to systematic urban data collection and analysis and to use that data and make it accessible on a real time basis. Development of the UMIS will be carried out over a number of phases, where functional specifications and definitions of terms will be elaborated first using manual data collection tools and then a computerized system will be developed with technical specifications that enable real time access and exchange of data between participating municipalities and MUDH, as well as other national level institutions, such as IDLG.

This Component will be comprised of four sub-components, as further detailed below:

- (i) *Short-term technical assistance* to create the database and web architecture for the UMIS, including survey work (US\$400,000);

- (ii) *Goods for information technology hardware and software* that will support the management and facilitated access to information within the database (US\$500,000);
- (iii) *Survey design and implementation*, analysis and the production of reports from the data sets for three years (economist / statistician US\$300,000) with data being delivered to MUDH by municipalities; and
- (iv) *Data update* on a yearly basis and UMIS hardware and software maintenance (US\$300,000).

Once established, the UMIS would provide vital inputs to the formulation and updating of the National Urban Policy (NUP) and U-NPP so that it is fully grounded in up to date information, data and evidence. The UMIS will also be an important instrument in periodic policy briefings prepared by MUDH for discussion in the new HCUD and to ensure that policy is being discussed and formulated using a consistent methodology, terminology and data in a standardized way.

COMPONENT 2: URBAN INSTITUTIONS - Institutional and Capacity Development (US\$4.50m):

This Component is designed to strengthen relevant agencies to articulate and implement clear and coherent urban policies that have a tangible impact in improving the functioning of cities in providing services and overseeing orderly and efficient urban development. Work will be carried out under four Policy and Institutional Work Streams, in line with the Government's priority U-NPP agenda, as set out in Box 1 below.

Box 1: Policy and Institutional Capacity Building Work Streams

UDSP will support capacity building measures aligned with priorities set out in the U-NPP and being advanced by MUDH. Component 2 of UDSP will therefore focus on four key policy areas, targeting the respective departments within MUDH and IDLG. The four work streams will be: (i) Planning and Land Use Management; (ii) Urban Regeneration; (iii) Affordable Housing; and (iv) Municipal Finance. The first two work streams will be carried out with a team formed at MUDH's Urban Development Department. The Affordable Housing work stream will be anchored at MUDH's Housing Directorate, and the Municipal Finance work stream will be organized and implemented at IDLG.

Work streams will be adapted to the specific needs of each counterpart agency. However, they will generally be oriented toward carrying out or preparing (i) a baseline assessment and gap analysis of the legal and regulatory framework, policies, current practices and conditions on the ground, including benchmarking with other comparator countries; (ii) development of strategies, methodologies, and policies in accordance with international good practice experience, as relevant, over a short- and medium-term time horizon with the aim of establishing official policies and procedures to put these strategies into practice; (iii) development of management systems and tools to monitor progress; and (iv) development of an Action Plan.

Work programs for each work stream will be developed by a dedicated National Technical Specialist (further detailed in Annex 2), working with the targeted government department,

international and national specialists, and through developing relevant training programs and provision of tools/equipment as may be required to ensure mainstreaming and sustainable implementation of the reform measures.

Sub-Component 2.1- Institutional Development of Urban Planning (US\$0.30m): This sub-component entails conducting a Functional Review (FR) of the urban planning functions and practices at the relevant national and local agencies. The review would consider human resource capabilities, institutional set-up, conflicts or overlaps in mandate among agencies, resources needed to fulfill functions, and specific deficiencies that may need to be remedied. The FR will present a number of key findings and recommendations for discussion at both the national and local levels and proceed to preparing a Capacity Building Action Plan to address areas identified that need strengthening. The FR will help to assess the effectiveness and efficiency of urban planning operations and provide recommendations on options for improvement to structures, functions, authorities, processes, and staffing needs. This will enable MUDH and the participating PCCs over time to more effectively fulfill their mandated planning functions at the regulatory and implementation levels respectively. The FR will provide a basis for determining the baseline condition of target agencies and establish performance benchmarks that can be monitored both during and after project implementation is completed. This task will be carried out by a joint team of international and national planning specialists, anchored by a National Urban Planning Advisor based in Kabul. A key outcome of the review is the preparation of a “*Functional Review and Capacity Building Action Plan*”.

Sub-Component 2.2- Capacity Building for Urban Management (US\$2.00m): This sub-component involves mobilizing qualified and experienced local and international technical specialists for capacity building and development of systems, operations manuals and upgrading of equipment for targeted departments within relevant agencies. There will be two dimensions to this technical support, one dimension of which will be a structured, dedicated Capacity Building Program for Core Operations of MUDH targeting the Procurement and Finance Departments. For the Procurement Department, a full assessment of current operations and gap analysis will be carried out followed by the design of an Action Plan to be implemented during the life of the Project. In addition, the UDSP will support the design and installation of a comprehensive Contract Management System to strengthen monitoring and performance evaluation of contracts financed by MUDH both under UDSP and ministry-wide. This will be supported by a training program for Procurement staff. For the Finance Department, an Action Plan will be prepared based on the FM Assessment already carried out at the Department. Furthermore, the Internal Audit system at MUDH will be enhanced along with guidelines and procedures so as to bring it in line with international standards.

To enhance MUDH institutional capacity in key policy areas, a dedicated Policy and Institutional Strengthening Program will be initiated for the Policy and Planning Directorate. This Program will be anchored by a Public Policy Specialist based at MUDH with substantial experience in areas of institutional development, design of training programs, and monitoring and evaluation (M&E) systems development. This Program and technical support will help identify critical gaps, including legal and regulatory issues, key technical terminology and planning processes, and develop a specialized training program for Directorate staff. All recruitment under Sub-Component 2.2 will be for one year, renewable up to a maximum of 2 years based on

performance, quality and timely reporting and MUDH business needs. The UPS contract will include a 3 months' probation period and renewal will be reviewed annually jointly by the World Bank and the MUDH. Contracts will be time-based and will include clear deliverables and reporting procedures. Performance will be monitored through well-defined outputs and outcome indicators.

Sub-Component 2.3- Preparation of Urban Policies (US\$1.00m): This sub-component involves the preparation of a series of urban policy notes and strategy papers for MUDH, to be shared and discussed at the newly formed High Council for Urban Development (HCUD). Priority areas identified by Afghanistan's U-NPP are organized around four Work Streams, including: (i) planning and land use management; (ii) urban regeneration; (iii) affordable housing; and (iv) municipal finance. These four policy areas work streams will delve into and help develop strategies, guidelines and tools to be developed as relevant. This sub-component would provide technical assistance, advisory services and specialized workshops as part of the formulation of various urban policies. Each Work Stream will be led by a National Technical Specialist coupled with an International Specialist. It will be anchored by an Urban Policy Specialist (UPS) with substantial international experience who will be responsible for overseeing the technical content and quality outputs from each work stream team and will integrate these into a National Urban Policy (NUP) document as a primary responsibility.

Sub-Component 2.4- Training and Knowledge Exchange Programs (US\$1.20m): This subcomponent would support the sharing of best international and relevant experiences with Afghan officials. As such, exposure to relevant urban experiences in Turkey, South Africa, South Korea, and potentially other countries will be promoted. Such interventions would be structured along the priority urban policy areas identified under Sub-Component 2.3 and will include structured learning programs and training workshops. Conceptual classroom-based training will be coupled with hands-on field visits and practical problem solving sessions, so that learning can be easily translated and applied in addressing Afghanistan's urban development challenges.

COMPONENT 3: URBAN INTEGRATION - *Strengthening Urban Planning at National and Local Levels (US\$5.0m):*

This component, to be executed by MUDH, will support integrated approaches to urban planning through the formulation of an appropriate urban planning framework, the development of an academic curriculum for urban planning and the preparation of local strategic development plans for five participating PCCs. The above will be supported by technical consultancies, goods, and informational technology-related hardware and software. This component will be implemented under the following 3 sub-components:

Sub-Component 3.1: Curriculum Development for Urban Planning (US\$0.50m): As a measure to promote urban planning knowledge and capacity and to mainstream it into Afghanistan's improving planning culture, this sub-component would help develop custom-designed curriculum for urban planners in Afghanistan. This activity will be oriented toward professionalizing the urban planning practice in Afghanistan and helping to define a standardized set of terms and technical approaches that are commonly understood and applied. Design and

implementation of this component will be explored with Kabul-based universities in a collaborative partnership and could include a twinning partnership with another university in and outside the region. The sub-component could involve faculty exchanges, as well as adaptation of existing elements of other training programs. The aim is to lead toward a certification of planning professionals and promotion of a vibrant community of practice.

Sub-Component 3.2: Preparation of Local Strategic Development Plans (US\$4.50m): This subcomponent would support PCCs in preparing local Strategic Development Plans (SDPs). The assignment will include an inventory of existing planning and land use conditions, formulation of strategies appropriate for managing sprawl, improving land use efficiency, protecting urban character, and strengthening service provision. The process will involve public consultations on draft outputs; procurement of satellite imagery and development of appropriate tools for effective urban management/monitoring of land use patterns and infrastructure service delivery.

The SDPs will be highly consultative in nature. Committees would be formed to solicit community input and feedback on priority needs, proposed development options and workshops would be organized throughout the formulation process to ensure maximum community stakeholder input at each PCC.

COMPONENT 4: URBAN INVESTMENTS - *Feasibility and Design Studies for Urban Infrastructure (US\$7.00m):*

This Component would be implemented by MUDH in coordination with the IDLG and the five participating PCCs. It would support preparation of Capital Investment Plans (CIPs) at the five participating PCCs. CIPs would reflect the priority investments identified through community consultation workshops to be pursued over a medium-term timeframe and consistent with the overall vision for the city's development. The CIPs would be linked to the SDPs and once adopted, they would be publicly posted in city offices and electronically on their websites. feasibility studies for (i) priority and (ii) catalytic projects in the five participating PCCs.

Priority projects would be "no regret" investments that require limited budget and would be relatively simple to execute. Such projects would help alleviate chronic but localized infrastructure bottlenecks in the five PCCs. Catalytic projects would be those identified in the PCC SDPs and have a demonstrable economic impact. Catalytic projects would help attract productive investments into the cities aimed at supporting economic development and job creation.

None of the subprojects to be prepared would be classified as an Environmental Category A project, requiring a full environmental assessment. All would be Environmental Category B or lower and would have limited or no negative environmental impact. The conceptual and detailed designs of Priority investment projects would be financed under this component, but the financing for implementing viable investments will come downstream. The projects will be based on solid economic/financial analysis and alternative design considerations with the aim of minimizing any potential social or environmental impacts. The rationale for this component is to help develop a pipeline of priority bankable investment projects that pave the way for a follow-on performance-based "*Cities Investment Program (CIP)*" that incorporates key policy

recommendations of the UDSP which would be key criteria in selection of subprojects.

COMPONENT 5: *Project Management and Administration (US2.00m)*

This Component would provide financing for project management staff, upgrading of computers and office equipment and furnishings, project vehicles, internet services, and incremental operating costs in order to improve the efficiency of MUDH operations generally and ensure efficient operation of the PCT.

ANNEX 2: IMPLEMENTATION ARRANGEMENTS

Project Institutional and Implementation Arrangements

The grant will be managed using a mainstreamed project implementation structure within MUDH. Project implementation arrangements will ensure: (i) efficiency and accountability in Project implementation, (ii) continuity of work stream progress between visits of international consultants; (iii) retention and mainstreaming of technical assistance knowledge and expertise through locally-based, fully dedicated fiduciary and safeguards personnel, as well as work stream coordinators and city coordinators at both the national and local level. Interactions between various involved agencies are reflected in Diagram 1 below.

A matrix approach for project management has been adopted (see Diagram 2). This consists of a Project Core Team (PCT) comprising 7 categories of professional specialization and expertise:

- (i) **Project Director (PD).** The PD will lead the PCT, be responsible for overall project implementation, report directly to the MUDH Minister, work closely with the relevant MUDH Deputy Ministers and their Department staff, coordinate Component 4 with IDLG and ensure compliance with UDSP design as reflected in the Project Appraisal Document (PAD) and Legal Agreement.
- (ii) **Procurement Specialist (PS).** The PS will be responsible for the Project's procurement planning and execution in conjunction with MUDH's Procurement Department, including preparing and updating the Project Procurement Plan, overseeing the preparation of and selection processes for consultancy assignments and goods packages, and ensuring effective contract management for the duration of the consultancy assignments.
- (iii) **Financial Management Specialist (FMS).** The FMS would be hired under the Project and located within the MUDH PCT with direct Project fiduciary responsibilities, including preparing and monitoring the project budget, payments to contractors and disbursement forecasts, among other responsibilities as reflected in the Financial Management section of this report.
- (iv) **Environmental and Social Safeguards Specialist (ESSS).** The ESSS would be responsible for overseeing UDSP safeguards requirements, including implementation of the Environmental and Social Management Framework/Resettlement Policy Framework (ESMF/RPF), and ensuring adherence to their guidelines and using the tools contained therein. The ESSS will also be responsible for setting up the Grievance Redress Mechanism (GRM) and providing training and building capacity at the Environmental Safeguards Department at MUDH's Infrastructure Directorate.
- (v) **Monitoring and Evaluation Specialist (MES).** The MES will have a dual function. First, he/she will be responsible for overseeing the Project's monitoring and evaluation arrangements, including monitoring and tracking project implementation, helping to resolve bottlenecks, and ensuring the project is on track in achieving its development

objective based on the performance indicators. Second, the MES will be working closely with MUDH's Policy and Planning Directorate to develop an M&E system for MUDH.

- (vi) **National Technical Specialists (NTSs)**, for each of the four policy work streams (planning and land use management, urban regeneration, affordable housing, and municipal finance). The four NTSs will be responsible for overseeing implementation of the various work streams, preparing technical assistance assignments, facilitating the work of consultants, and for monitoring Project-financed activities and deliverables. Each will provide inputs on a quarterly basis to the Project Progress Report, signaling any key issues that arise early on so that remedial measures can be taken in a timely manner if necessary. The additional benefit of having the four NTSs based at MUDH (and IDLG for Municipal Finance) is that they would facilitate the transfer of knowledge and help ensure institutional retention of the technical assistance and continuity of work progress between missions of international consultants wherever relevant.
- (vii) **Provincial Capital City Coordinators (CCs)** located at each of the five PCCs. They would be reporting to the Project Director and the NTS for Municipal Finance and will coordinate and oversee all activities on the ground in the PCCs, including facilitating the work of consultants, particularly under Components 1 (UMIS), 3 (Urban Planning) and 4 (Feasibility and Design Studies) in the cities, 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. Their role will be especially crucial given mobility constraints and the need for real time Project responsiveness to implementation challenges and to support mainstreaming of technical assistance into the relevant PCC departments. The Institutional and Implementation Arrangements Chart below illustrates the location and links of these key consultants within the Project structure.

Given that the prevailing security situation presents clear implementation challenges, the Project aims to build upon local capacities in Afghanistan. As such, the UDSP will rely on local expertise to circumvent security and mobility restrictions as well as to ensure the sustainability of the UDSP's impact. In that regard, mayors, technical specialists and MUDH provincial administration staff from all five PCCs have been actively engaged in the preparation of UDSP. They all joined several meetings in Kabul to discuss and plan implementation strategies. Also, and in order to institutionalize this arrangement, a UDSP Consultative Group (CG) has been established to maintain effective communications and to provide feedback during implementation. The CG will be convened every six months by the MUDH Minister to review implementation progress. This institutionalized mechanism is intended to support a regular and structured national-local government level dialogue on policy issue deliberations and reforms, UDSP implementation challenges and potential adjustments, and related topics of interest.

In addition to the six-monthly CG consultation meetings, MOUs will be signed between MUDH, IDLG and the 5 participating PCCs. The purpose of these MOUs is to set out the rights and responsibilities of each party in implementing UDSP. These comprise data gathering for the UMIS, access to technical assistance and capacity building support by the PCCs, coordination of consultant field visits and general mechanisms for coordination and facilitation of consultants work to ensure smooth implementation and maximum benefit from the Project by the 5

participating PCCs.

At the local level, each NTS will be able to mobilize both international specialists and a core of local, highly-qualified consultants to form work groups around each work stream and in support of each of the five PCCs. During project preparation, the Bank team met a number of well-trained urban planners, urban development specialists, as well as financial and ICT specialists who are eager to participate in the project. Under the Municipal Finance Work Stream, there is already a plan to mobilize one national financial analyst for each of the PCCs to carry out detailed analysis of the municipality's finances and work with international specialists in developing a short- and medium-term reform program. This will be incentivized by the potential to access financing for infrastructure investments under the proposed performance-based CIP.

Project preparation activities undertaken since October 2016 have helped build further confidence in the ability of MUDH team to implement the Project and overcome obstacles. A high quality group of consultants has already been mobilized for the Project Core Team with significant project implementation experience. They have prepared and completed the ESMF/RPF satisfactorily, held numerous consultation meetings for both project design and safeguards consultations, and have set up the project procurement arrangements and FM arrangements.

For its part, the World Bank has set up a dedicated implementation support team based in Kabul that is led by an Operations Officer, supported by a Project Implementation Consultant, and a Procurement Consultant, who jointly would maintain regular contacts with UDSP counterparts. This investment in Bank implementation support staff in the field will help to address in real time critical challenges that arise during implementation. Missions of the TTL and technical team residing outside Kabul during the first year of implementation support are planned to be intensified and would take place at least 4 times per year to ensure timely responses to any implementation bottlenecks that arise.

Diagram 1. Institutional and Implementation Arrangements Chart

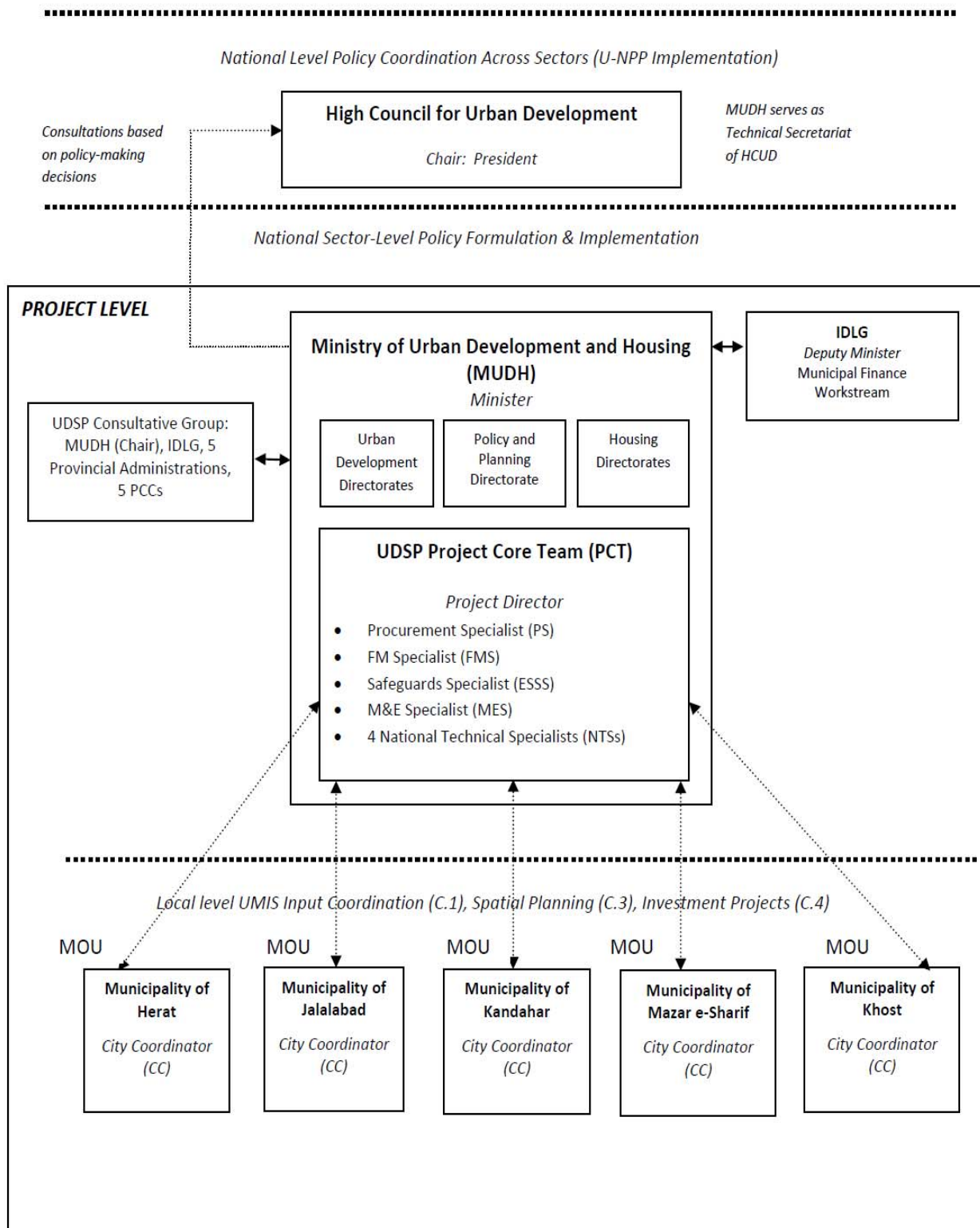


Diagram 2: Project Work Program Matrix by Component

UDSP PROJECT COMPONENT →	Component 1: UMIS	Component 2: Urban Policy and Institutional Development				Component 3: Urban Planning	Component 4: Feasibility and Design Studies
		Urban Policy Specialist works with 4 Capacity Development Work Stream NTSs and international consultants to synthesize inputs into National Urban Policy Framework POLICY WORK STREAMS					
POLICY or CAPACITY DEVELOPMENT AREA	<i>Urban Data Management</i>	<i>Planning & Land Use Management</i>	<i>Urban Redevelopment</i>	<i>Affordable Housing</i>	<i>Municipal Finance</i>	<i>Planning Implementation</i>	<i>Investment Project Prioritization & Design</i>
PROJECT IMPLEMENT/COORD RESPONSIBILITY	All Four National Technical Specialists (NTSs)	Planning NTS	Urban Redevelopment NTS	Affordable Housing NTS	Municipal Finance NTS	Planning TC with 5 CCs	4 NTSs with 5 CCs
TARGETED AGENCY or DEPARTMENT	MUDH Urban Development Directorate -- <i>Urban Research Development Institute</i>	MUDH Urban Development Directorate, Kabul Polytechnic University	MUDH Urban Development Directorate	MUDH Housing Directorate	IDLG 5 PCCs (consulting with MOF)	PCCs & MUDH Urban Development Directorate	MUDH Urban Development Directorate in close collaboration with IDLG
PROJECT OUTPUTS	Sustainable, fully-functional UMIS	Strategy, Policies, Guidelines, Tools, Curriculum, HR Development	Strategy, Policies, Guidelines and Tools, HR Development	Strategy, Policies, Guidelines, Tools, HR Development	Strategy, Policies, Guidelines, Tools, HR Development	5 PCC Strategic Development Plans, CIPs, HR Development	Pipeline of priority projects prepared
DELIVERY MECHANISMS	Consultant Services, Training, Hardware/Software	Consultant Services (Policy & Planning Consultant, Housing Consultant, MF Consultant), Training Programs, Hardware/Software				Consultant Services, Training, Equipment	Consultant Services

Fiduciary

The Bank Fiduciary Team jointly carried out a capacity assessment of MUDH's Procurement and Finance Departments. The assessment findings show that the fiduciary risk for the project is *Substantial*. Details of the assessment and mitigation measure are summarized below.

Financial Management

A Public Expenditure and Financial Accountability (PEFA) Assessment for Afghanistan was conducted in 2013. Afghanistan's PEFA ratings portray a public sector where financial resources are, by and large, being used for their intended purposes as authorized by the budget. However, the credibility of the budget is a concern as ministries remain unable to fully utilize the budget; actual expenditure is about 85% of the budgeted expenditure. Bottlenecks in the budget execution system, no practice of budget ceilings for line ministries and approval of budget after 2 months from the start of the fiscal year are the major reasons for low budget utilization. The World Bank has a long term engagement with Afghanistan to strengthen country's Public Financial Management (PFM) systems. The ongoing PFM Reforms II project is supporting government agenda of PFM in the areas of treasury management, procurement, internal controls and external audit as well as external audit and legislative oversight. The edifice of country wide Afghanistan Financial Management Information System (AFMIS) to record and report government budget and expenditure is the pinnacle of these reform.

The Bank has carried out a financial management assessment of the Ministry of Urban Housing and Development (MUDH). MUDH has previous experience of implementing ARTF-financed projects and there are no overdue audit reports or unsettled ineligible expenditure in respect of the project implementing agency. However, the assessment noted low budget execution, weaknesses in the system of recording and recovery of revenue arrears, an internal audit function not compliant with international standards, and vacant positions and absence of job descriptions in the finance directorate. Based on these findings, the overall financial management risk is assessed *Substantial*.

Budget execution significantly improved over the last three years but still MUDH remained unable to utilize about 20 percent of the development budget during the last completed fiscal year. Bunching of procurement activities towards the end of fiscal year, lengthy payment approval processes, limited in-year monitoring of budget execution and limited coordination between departments during the budget making process are the primary reasons for low budget execution.

MUDH collects revenue from rendering engineering services to different line ministries and building houses for resale but was unable to achieve revenue targets set by MoF. In FY 1394, MUDH collected AFN 21.4 million against the target of AFN 26 million and during FY 1395 collection was AFN 16.44 million against the target of AFN 17.33. The revenue targets are not based on detailed analysis and projections and to improve MUDH revenue, an assessment of revenue potential is essential. There is also a need to improve the system of recording revenue arrears and effective follow-up for recovery of revenue arrears.

MUDH financial management directorate's approved staff strength is adequate (25 civil servants and 40 consultants). However, seven managerial positions are currently vacant. Moreover, approved job descriptions are only available for four civil servants positions. There is a general capacity building plan for the whole ministry from the Afghanistan Civil Servant Reform Commission but that does not adequately capture capacity building needs of the financial management directorate.

Despite having 28 staff, the internal audit department of MUDH is not functioning effectively. The department does not have an approved internal audit charter, strategy and manual. A shortage of necessary IT equipment was also noted. The department mainly conducts compliance audits and identified issues in payments related to contracts, government taxes and payroll.

Under Component 2 of the project, technical assistance will be provided for capacity development of MUDH that will also include financial management. Support will be provided to MUDH to plan and execute the budget in line with policy objectives, establishing management reporting systems for effective monitoring, and upgrading the internal audit function and processes so that they comply with international standards, while strengthening overall control environment. Specifically, UDSP will support recruitment of an Internal Audit Specialist to carry out a detailed assessment and prepare a roadmap, including TORs for a technical assistance assignment designed to re-engineer internal audit processes, develop a system compliant with international good practice, prepare a manual and support current staff with specially-targeted training.

Project Financial Management Arrangements

Staffing – MUDH finance directorate has 20 contracted finance staff working on the development budget, in addition to 22 staff under training. The contracted staff report to the Development Budget Manager (contracted staff) who reports to the Director of Finance. The FM responsibilities for this Project will overall rest with the Director of Finance. However, the day to day activities will be carried out by the Financial Management Specialist (FMS) who will be part of the Project Team. The FMS will report both to the Project Manager as well as to the Director of Finance. The Bank will conduct FM clinics for the MUDH FM staff as needed to familiarize them with World Bank procedures and requirements, and will continue to provide needed assistance.

Budgeting – MoF guidelines for budget preparation will be followed. The Project budget would be based on the procurement plan and annual work plan. The annual budget will be broken down into quarters to facilitate budget monitoring. Actual expenditures will be monitored against quarterly budgets, and will also be reported to the Bank.

Funds flow – Funds flow arrangements will follow standard procedures applicable to all World Bank funded/ administered projects. A Designated Account (DA) will be opened at Da Afghanistan Bank (DAB, Central Bank) and the authorized signatory for making payments from the DA will be MoF. MUDH will process all payment requests through the Special Disbursements Unit (SDU) of MoF, and will also be responsible to manage the DA. The project will use report based disbursements and withdrawal applications for advances and

documentation of expenditure will be done on quarterly basis. Initially, SDU will assist MUDH in submission of the withdrawal applications to the Bank. The Bank will provide Client Connection access to focal point finance staff for the management of the grant.

For routine petty expenses, MoF will allow cash imprest of AFN 250,000/- to MUDH. Petty cash will be maintained by a nominated official of finance directorate in safe custody and will be replenished as needed. A separate petty cash book ledger will be maintained to record petty cash expenses.

Accounting and Reporting – At the central level, project accounts will be maintained in MoF Treasury department in AFMIS, which is the government wide accounting system for recording all government as well as project expenditures and receipts.

MUDH will maintain subsidiary books of records on cash basis of accounting using Excel initially. The implementing agency is currently exploring procurement of a simple off-the-shelf accounting software package to facilitate its work and reporting. Reconciliation of project transactions with AFMIS records and DA bank statements will be carried out monthly by MUDH finance directorate.

Quarterly Interim Financial Reports (IFRs) will be prepared by MUDH finance department every quarter and submitted to the Bank within 45 days from the end of the quarter. The formats for these IFRs is shared with the FM staff and the required training has been provided by the Bank FM team.

Internal controls – The project follows the centralized payment mechanism applied in Afghanistan and controlled by MoF. Internal controls are adequate both at the central and implementing agency levels. There is adequate segregation of duties. Reconciliations will be done monthly. All these controls will be periodically reviewed by the Bank during its routine project implementation missions.

A bi-annual Internal Audit of the project will be carried out by the Internal Audit consultants to be hired with project funding. Two internal audit consultants will be hired to strengthen the internal audit unit of the MUDH. The Audit consultants will report to the head of internal audit unit MUDH and World Bank. This support will be provided as capacity building to MUDH under Component 2.2.

Contract management is a critical control area for the project as grant proceeds will largely be used for payment of consultant firms. Procurement will be carried out using the Bank procurement guidelines. As a fiduciary measure for the Project and part of the broader capacity building program for MUDH, a consultant will be recruited to develop a robust contract management system that will operate for both UDSP and be scaled up over time to serve all of MUDH's operations. This measure is intended to strengthen contract management during the implementation phase once a contract is under signature.

Procurement

The Bank has gained substantial experience and understanding of the procurement environment in Afghanistan through its involvement in the interim procurement arrangements put in place under the Emergency Public Administration Project (2002) and through working with the institutions currently responsible for procurement functions, including the Afghanistan Reconstruction and Development Services. As part of the broader review of Afghanistan's Public Finance Management (PFM) system, the Bank carried out two assessments, in June 2005 and September 2007, of the procurement environment in the country based on baseline and performance indicators developed by a group of institutions led by the World Bank and OECD/DAC.

The first key issue identified through the procurement assessments was lack of ownership and lack of a procurement champion in the Government, which is a serious impediment to reform and to inter-ministerial dialogue. A second, related issue is the lack of capacity in the line ministries, as evidenced by their inability to define and communicate effectively their desired functional specifications/terms of reference in their procurements. The lack of capacity is also evident in the local private sector—while the number of bids is reasonably high, there is a lack of understanding about how to apply public procurement rules.

Government Reforms

A new Procurement Law (PL) was adopted in November 2005 that radically transforms the legal and regulatory framework. In accordance with the law, GoA established a Procurement Policy Unit (PPU) under the Ministry of Finance to provide oversight for the PL's implementation. PPU has issued several circulars regarding implementation of the PL including "Rules of Procedures for Public Procurement" (Circular: PPU/C005/1386 of April 12, 2007) and "Procurement Appeal and Review Mechanism" (Circular: PPU/N001/1385 of March 18, 2007). PPU and MOF have developed several standard bidding documents (SBDs), standard requests for proposal (SRFPs), standard requests for quotation (SRFQs) for national and international procurement of goods/works and consulting services following national procedures as per the PL's Glossary of Procurement Terms in English and Dari. MOF has now mandated the use of: (i) SBDs for Goods and Works (Circular PPU/C024/1388 of June 10, 2009); (ii) SRFQs (Circular PP/C026/1388); and (iii) SRFPs (Circular PPU/C029/1388 of January 13, 2010). A Procurement Management Information System (PMIS) has been developed and is being piloted in three line ministries. In addition, a PPU Web site will facilitate publication of procurement notices and contract awards in addition to similar action being done under the ARDS-Web site and the Web sites of the line ministries, as applicable.

In the absence of adequate capacity to manage procurement activities effectively, a central procurement facilitation unit (ARDS-PU) has been established under Ministry of Economy to support line ministries and project implementing agencies. The Bank and the Government have agreed on a program for country-wide procurement reform and capacity building, leading to the transition from centralized to decentralized procurement services. The above was implemented by an international consultant under the supervision of PPU/MOF and financed under the Public Administration Capacity Building Project (PACBP) and the Public Finance Management Reform Project (PFMRP). The consultant has conducted several basic, intermediate, and advanced level training programs. The implementation of the procurement reform component of the

PACBP/PFMRP should be considered with due priority to ensure that fiduciary standards are further enhanced and that capacity is developed in the Government to maintain these standards. The Procurement Law was revised in July 2008 and amended in January 2009 and issued as a new Law by the Ministry of Justice and was published in the Official Gazette Number 957, 29.10.1387 (18 January 2009). The revised “Rules of Procedures for Public Procurement” have been issued as Circular: PPU/C027/1387 of November 18, 2009.

The Procurement Law was reviewed by National Procurement Authority (NPA) again in October 2015 and issued as a new Law by the Ministry of Justice and was published in the Official Gazette Number 1186, 15.07.1394 (October 7, 2016).

Procurement capacity:

The overall responsibility for procurement under the project will rest with the Procurement Directorate (PD) of MUDH. The Bank has conducted a preliminary assessment of the procurement capacity of MUDH. MUDH has achieved accreditation status granted by the Procurement Policy Unit of Ministry of Finance in 2012.

The PD has 27 staff members, including civil servants and contracted staff. The Bank team noted that MUDH Procurement Department is staffed with a qualified and experienced procurement director who has vast experience in implementing Bank-financed projects. However, the civil servant staff has limited experience of handling the hiring of consultancy firms and has little experience in the procurement of high value and complex package of procurement of goods; therefore the procurement risk is “**high**”.

To mitigate these risks, the following measures need to be taken: UDSP will finance a Procurement Specialist and a Procurement Training Specialist to help the PD to:

- Cope with the new work under the project,
- Develop the capacity of the civil servants,
- Help in procurement of complex and high value contracts and
- Help in contract management
- Bank prior review of the first NCB contract and all consultancy assignment TORs

Contract management was noted as a specific deficiency in Afghanistan, particularly with respect to complex consultancy assignments. In that regard, as noted earlier, UDSP will support MUDH by financing a consultant to carry out a detailed assessment of the key contract management challenges and to propose remedies. One such measure would be to develop and make operational a contract management system that would strengthen monitoring of contracts both under the UDSP and for all MUDH operations..

With the above arrangements in place, UDSP risk is rated as “**Substantial**”. However, the capacity of the Procurement Directorate of MUDH will be periodically assessed and this threshold will be reviewed and updated accordingly.

Procurement Capacity Development

Procurement Training: Through PFMRII, National Procurement Institute (NPI) of NPA is conducting 3 levels of training (Basic, Intermediate and Advanced) on public procurement. During the project, the procurement staff of the PD of the MUDH shall gradually complete all the three levels of training. Staff who successfully complete the Basic and Intermediate training will be eligible for appropriate international training on Procurement. However before any international training, the staff shall also be required to complete English language training.

Staffing: An appropriate staffing plan shall be developed along with Capacity Development Plan.

Planning and budgeting:

The MUDH has developed a Procurement Plan for project implementation that provides the basis for the procurement methods. MUDH will submit the procurement plan for procurement of goods, works and Selection of consultants through Systematic Tracking of Exchange in Procurement [STEP] and update the STEP on regular basis. The above system will facilitate monitoring of the time taken for procurement/selection activities and remedial actions will be taken for delays. It has been agreed that all bid/proposal evaluations will be completed within the time duration stipulated in the system by default.

The Procurement Plan has been agreed between the client and the IDA Task Team and is *available* at the MUDH offices. It will also be available in the Project's database and on the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Governance and Oversight Arrangements

External Audit – An annual project audit will be carried out by the Supreme Audit Office of Afghanistan with technical assistance from a professional accountants firm. The financial statements for the audit will be prepared by MoF from AFMIS. The audited financial statements are due within 6 months from the end of the fiscal year.

Disbursement Arrangements – Project funds will be channeled through a segregated designated account in USD to be opened at the Da Afghanistan Bank (DAB, Central Bank). Disbursements will be report-based where advance equivalent to six months forecast will be provided to DA and subsequent quarterly Interim Financial Reports (IFRs) will be the basis of documentation of the expenditures. Subsequent IFRs will also provide forecast for the following six months, on the basis of which the amount of funds to be disbursed will be determined. The project will also use direct payment method for large foreign currency payments. Further details regarding disbursements are provided in the Disbursement Letter.

Frequency of Procurement Supervision by the Bank

In addition to prior review, supervision shall be carried out from Bank offices. There will be a minimum of two Implementation Support Missions per annum.

Procurement Audit. In addition to prior review, Bank staff or a Bank appointed consultant shall carryout post procurement audit once per annum. At the same time SAO will conduct annual financial audit which will include procurement as well. In addition, NPA will also conduct its procurement review from time to time during the course of each fiscal year to make sure the procurement conducted is in compliance with the Bank guidelines and in line with the Public Procurement Law of the country in case of procurement under IOC.

Governance and Anticorruption (GAC) agenda All the contract opportunities and contract awards will be widely published in the internet, NPA website, MUDH website and when required in UNDB. The MUDH will set up a system to ensure that the staff/consultants who handled the procurement process/contract management/contract execution do not join the consultants/contractors. This will be reviewed during supervision missions. Other actions are: (a) implementing agencies' officials / staff to be alerted about any fraud and corruption issues; (b) bidders to be alerted against adopting fraud and corruption practices; (c) award contracts within the initial bid validity period, and closely monitor the timing; (d) take action against any corrupt bidder in accordance with law of the Government of Afghanistan; (e) preserve records and all documents regarding public procurement, in accordance with the Procurement Law provisions; (g) publish contract award information in UNDB online, NPA's website and agencies' websites within two weeks of contract award; (h) ensure timely payments to the suppliers/contractors/consultants and impose liquidated damages for delayed completion and, (i) enforce a procurement filing system.

Grievance Redress Mechanisms: complaints handling.

With regard to procurement complaints, MUDH will be guided by provisions of Procurement Law-October 7, 2015 and Bank Guidelines. MUDH will inform the Bank as soon as any procurement complaint is received and also when the final outcome is achieved. MUDH should have a system to register and monitor the receipt and resolution of complaints. The progress of such action will be reviewed by Bank during implementation support missions.

Procurement Considerations in the Fiduciary Assessment

General Procurement for Afghanistan: Urban Development Support Project (UDSP). Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans, IDA Credits and Grants by World Bank Borrowers" dated January 2011, revised in July 2014 and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011, revised in July 2014 and the provisions stipulated in the Grant Agreement. The general description of various items under different expenditure categories are described below. For each contract to be financed by the grant, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frames are agreed between the Borrower and the Bank project team in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

It has been agreed by both parties that in the event of a conflict/contradiction between the Bank's procurement procedures and any national rules and regulations according to Article 4(2) of the Procurement Law October 7, 2015 of the government of Afghanistan, the Bank's Procurement/Consultant Guidelines shall prevail. The general description of various procurements under different expenditure categories are described in the procurement plan.

Procurement of Goods and Non Consulting Services

Goods to be procured under this project shall include office equipment associated with capacity building activities, including office furnishings, planning tools and related equipment. Procurement of goods will be done using Bank's SBD for Goods for all contracts following International Competitive Bidding (ICB) procedures. National SBDs agreed with IDA, or satisfactory to IDA, will be used for the procurement of goods following National Competitive Bidding (NCB) procedures. Shopping shall be in accordance with paragraph 3.5 of the Bank's Guidelines. Any contract estimated costing more than US\$200,000 shall be procured following ICB procedures. Any contract estimated to cost more than US\$50,000 equivalent and less than US\$200,000 shall be procured following NCB procedures. Any contract estimated to cost less than US\$50,000 equivalent shall be procured following shopping procedures. Goods that meet the requirements of paragraph 3.7 of the World Bank Procurement Guidelines may be procured following direct contracting procedures with prior agreement with IDA.

Procurement of Works

No works shall be procured under this project.

Selection of Consultants:

The project will finance several consultancy assignments. The major assignments will be for the strategic development planning and capital investment planning, and Feasibility Studies work to take place under Components 3 and 4.

The selection methods applicable for consultants are QCBS, QBS, CQS, LCS, FBS and SSS for firms and Section V of the Bank's Guidelines for selection of Individuals. Threshold for CQS will be less than US\$300,000 per contract.

Short lists of consultants for services estimated to cost less than US\$ 100,000 or equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

MUDH will ensure that all invitations for bid, EOIs are given wide publicity using its own website, NPA website, United Nations Development Business (UNDB) and national newspapers. Further for individual consultants the REOI/vacancy notice will be published on the following websites *www.npa.gov.af*, *www.acbar.org*, *www.devnetjobs.org* & *www.reliefweb.int*

Incremental Operating Costs (IOC):

The costs which would be financed by the project would be procured using the implementing agency's administrative procedures, which were reviewed and found acceptable to the Bank. The operating costs will include operations and maintenance of equipment and vehicles, hiring of vehicles, office rent, costs of consumables, fuel, office utilities and supplies, salary of contracted staff and bank charges.

Procurement Plan

General Project Information:

Country: Islamic Republic of Afghanistan

Project Name: Afghanistan: URBAN DEVELOPMENT SUPPORT PROJECT

Implementing Agency: MUDH

Bank's approval Date of the Procurement Plan: April 29, 2017

Date of General Procurement Notice: December 25, 2016

Period covered by this procurement plan: 18 months

Procurement Prior Review Threshold for Goods, Non-Consulting Services, and Consultant Service [USD Million]

Type of Procurement	Substantial Risk
Goods, information technology and Non-consulting services	2
Consultants: firms	1
Consultants: individuals*	0.3

*The above threshold is for individual consultant not for Contracted Staff

A. Goods and Works and Non-Consulting Services

Table 1: Procurement Method and Threshold

	Procurement Method	Threshold for Methods (US\$)	Comment
1.	ICB (Goods)	200,001	Equivalent or more
2.	NCB (Goods)	50,000 to 200,000	Equivalent or less
3.	Shopping (Goods)	Less than 50,000	Equivalent or less

B. Consulting Services

Table 2: Consultants: Selection Methods and Thresholds

	Selection Method	Threshold	Comments
1.	CQS for Firms	US\$300,000 equivalent or less	
2.	QCBS,QBS, FBS, LCS	Depending on the nature and complexity of assignment	

Short list comprising entirely national consultants: Short list of consultants for services, estimated to cost less than US\$100,000 equivalent per contract, may be comprised entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Agreed Procedures for National Competitive Bidding:

1. Standard bidding documents approved by the Bank shall be used.

2. Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty eight (28) days prior to the deadline for the submission of bids.
3. Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.
4. Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
5. Foreign bidders shall not be precluded from bidding.
6. Qualification criteria (in case pre-qualifications were not carried out) shall be stated on the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any hindrance.
7. Bidders may deliver bids, at their option, either in person or by courier service or by mail.
8. All bidders shall provide bid security or a bid security declaration form as indicated in the bidding documents. A bidder's bid security or the declaration form shall apply only to a specific bid.
9. Bids shall be opened in public in one place preferably immediately, but no later than one hour, after the deadline for submission of bids.
10. Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format, and within the specified period, agreed with the Bank.
11. Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Bank.
12. Split award or lottery in award of contracts shall not be carried out. When two (2) or more bidders quote the same price, an investigation shall be made to determine any evidence of collusion, following which: (A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Bank;
13. Contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances.
14. Extension of bid validity shall not be allowed without the prior concurrence of the Bank (A) for the first request for extension if it is longer than four (4) weeks, and (B) for all subsequent requests for extensions irrespective of the period in case of prior review.
15. Negotiations shall not be allowed with the lowest evaluated or any other bidders.
16. Re-bidding shall not be carried out without the Bank's prior concurrence in case of prior review; and
17. All contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.

Environmental and Social (including safeguards)

Training and briefing of the Project Core Team (PCT) has already commenced on the Bank's environmental and social safeguards policies and good practices through a workshop organized in October 2016. An Environmental and Social Management Framework (ESMF) and

Resettlement Policy Framework (RPF) document has been prepared by MUDH and cleared by the Bank's safeguards team. The ESMF/RPF was also presented and discussed at a public consultation workshop held on February 13, 2017, modified accordingly, and disclosed on March 18, 2017. A fully-dedicated Environmental and Social Safeguards Specialist (ESSS) is being recruited under the Project using TORs cleared by the Bank team and will be responsible for overseeing all safeguards issues and implementation of the Project in compliance with the ESMF/RPF document. All UDSP-financed planning and feasibility and design assignments will have provisions to identify environmental and social safeguard risks, carry out assessments, if necessary, and develop appropriate mitigation/management plans as a dedicated task of the consultant and monitored by the ESSS. As a capacity development measure, the ESSS is also tasked with providing training and developing methods and tools for MUDH's Environmental Safeguards Department within the Infrastructure Directorate.

Monitoring and Evaluation

Project monitoring and evaluation will be addressed in two key ways: First, it will focus on monitoring the Project's overall implementation and achievement of performance indicators set out in the Results Framework. This will be overseen by the UDSP Monitoring and Evaluation Specialist (MES), under the direction of the Project Director. There will be a dedicated section in the Project Progress Report submitted to the Bank on a quarterly basis devoted to M&E. Any deficiencies noted in the Progress Report would trigger a meeting and discussion on how to address and remedy the problem in an expeditious manner.

Second, given the project's emphasis on building MUDH institutional capacity, the project will also have a role in helping to establish and institutionalize an M&E system within the Policy and Planning Directorate at MUDH. Over time and as capacity develops within MUDH to perform monitoring and evaluation functions, projects, including UDSP, will be mainstreamed into MUDH's standardized and regular monitoring and evaluation system. Indeed, this will be one measure of the Project's relative success in mainstreaming key M&E functions at MUDH.

Role of Partners (if applicable)

The Bank team has had active discussions with other sector donors and partners on virtually every mission during project preparation. The Bank will coordinate with UN-Habitat on Component 1 Urban Management Information System (UMIS). UN-Habitat has been setting up urban observatories around the developing world that are designed to collect and analyze vital urban settlement data that can support the UMIS in Afghanistan. UN-Habitat also produces with the Government The State of Afghan Cities Report, which would benefit from the systematic collection of data for monitoring purposes. This partnership will be further explored to see if there is a need for a defined implementation role for the Component beyond coordination and occasional joint workshops. The UDSP could benefit from UN-Habitat's presence on the ground, provided that joint efforts are focused on building local institutional capacity.

Gender. UDSP presents an opportunity to integrate a gender lens at the operational level. Accordingly, under Component 1 (UMIS), an effort will be made to disaggregate urban data and information by gender to the extent possible. This will allow for policy analysis and formulation

that takes into account conditions that women in particular face in the context of rapid urbanization. A gender-based assessment of access to municipal services is expected to inform the planning work projected to take place under Component 3. Terms of reference of consultants preparing and designing the UMIS will have this provision, as will the strategic development planning work under Component 3.

A number of specific activities and approaches in the gender-based assessment may include:

- **Identifying Gaps:** Gender-sensitive planning in the urban sector shall consider the concept of work not only as paid work but also as unpaid housework and family tasks. This is especially helpful for incorporating gender in the sector because division of tasks, i.e. caregiving (childcare, caring for older relatives, etc.) in Afghanistan is still largely female work that is usually done in the home, which the strategic development planning for cities should take into account. Gender in urban planning should focus in particular on the home and the housing environment from a workplace perspective to facilitate the everyday routines of persons handling family chores and housework, women more specifically. The project should have a positive effect on the everyday lives of many working-age women/men, elderly, children/youth, IDPs, and female household heads by first identifying the gaps and then creating the policy foundation.
- **Transportation:** Women walk more and use public transport more than men because women take more trips to shops, handle family chores and accompany minors more often than men. Accordingly, women's mobility in cities will be an important planning consideration.
- **General issues that would benefit both genders but are essential for women are:**
 - **Women and men with special needs** - While this group does not fall into any specific age bracket, it does play an important role for the architectural design of buildings and open spaces.
 - **Needs of women in urban structure in general (i.e. housing quality, garbage collection facilities, recycling services and/or public awareness, laundry facilities and drainage of laundry waste, appropriately sized building volumes, differentiated availability of public open spaces, water sanitation, female toilets in open spaces)**
 - **Development of local centers and the provision with local shops and service providers (i.e. Availability of easily reachable basic shopping outlets and services for women and linked transportations to them if they are located in distance)**
 - **Planning for social infrastructure (i.e. Systematic planning and inclusion of social infrastructure facilities for all population groups, especially kindergartens and schools, facilities for handicapped, incorporating the needs of women & IDPs)**

ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY: AFGHANISTAN URBAN DEVELOPMENT SUPPORT PROJECT

Strategy and Approach for Implementation Support

The implementation support plan for UDSP is developed based on experience gained from an ongoing urban program in Afghanistan and the risks identified in SORT, which are focused in particular on the political, security and governance context, and macroeconomic trends.

(i) **Technical Support.** The Bank team would provide technical support to ensure that quality outputs and technical guidance are provided to client agencies. This will comprise brainstorming sessions on design of consulting assignments in a conflict-affected environment; offshore training and technical guidance workshops with hands-on field visits; and technical reviews and revisions to Terms of Reference for all consulting assignments. In addition, in order to save time and draw on international good practice, the Bank is sharing and supporting Bank-designed diagnostic tools, like the Urban Audit, that can help transition from conceptual training to hands-on self-diagnostics using tools that have been tried and tested by the Bank in many other developing countries. In addition, the Bank team is committing to intensified implementation support missions (at least 3 per year) to ensure activities are on track and to provide timely hands-on guidance. The team is also planning to have periodic video conference check-ins. Finally, the Bank team is recruiting a dedicated urban project consultant to intensify its in-country, real time implementation support to the client.

(ii) **Procurement.** Implementation support commenced with a training and Q&A session at an October 2016 workshop and will continue on a periodic basis through (a) providing training and hosting Q&A sessions; (b) reviewing procurement documents and providing timely feedback to the Project Core Team (PCT) and Procurement Specialist in particular; and (c) providing detailed guidance on the Bank's procurement guidelines; (d) monitoring procurement processes during implementation support missions.

(iii) **Financial Management.** Implementation support will include the provision of training to concerned financial management officials and consultants, in particular on preparing and issuing the IFR and Designated Account Management, provision on training on using Client Connection, and reviewing the Project financial management system on a quarterly basis, including accounting, report, and internal controls.

(iv) **Safeguards.** One locally-based staff (Environmental and Social Safeguards Specialist, ESSS) is strategically positioned to provide both environmental and social safeguards guidance and support to MUDH staff and consultants as they implement the project. At least one mission per year will be devoted to reviewing the status of safeguard issues. Periodic training will be offered to strengthen counterpart knowledge of safeguard requirements and procedures.

(v) **M&E.** Active monitoring of the Results Framework and achievement of progress against



indicators will be the main focus of the M&E Specialist. Updates will be provided in every quarterly Project Progress Report, which will be reviewed, discussed and agreements reached during each implementation support mission.

Implementation Support Plan and Resource Requirements

Skills mix Required

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Mobilization of Consultants, Data collection	Policy experience Training expertise		UNHabitat USAID
12-36 months	Monitoring Quality of Outputs			UNHabitat (Component 1)
Other				

Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
TTL/co-TTL (Lead Urban Specialist & Sr. Urban Economist)	16	6	International Staff (HQ and S. Africa based)
Operations Officer	10	0	National based in Kabul. Will focus on briefings of higher officials between missions
Urban Project Consultant	20	0	National based in Kabul. Will focus on actively monitoring implementation
Sr. Procurement Specialist	5	0	National based in Kabul
Procurement Consultant	5	0	National based in Kabul
Sr. FM Specialist	2	1 ⁵	International based in Islamabad

⁵ 1 full trip represents two trips with shared travel cost in some cases.



FM Consultant	3	0	National based in Kabul
Social Development Specialist	2	0	National based in Kabul
Environmental Specialist	2	0	National based in Kabul
Gender Specialist	2	0	National based in Kabul
Urban Policy Specialist	10	3	International Consultant. Will help team on programming, monitoring implementation and quality control.