

**Afghanistan Reconstruction Trust Fund  
National Emergency Rural Access Project (NERAP)  
under the  
National Rural Access Program (NRAP)**

**Revised Proposal for the Management Committee:  
September 8, 2009: (see para 35)**

Applicant:	Islamic Republic of Afghanistan
Brief Description:	<p>This grant will co-finance the National Emergency Rural Access Project (NERAP) which is supported by IDA grant H344-AF (US\$ 112 million equivalent), approved on December 13 2007. NERAP supports the implementation of the National Rural Access Program which is estimated to cost about \$500 to \$550 million for the five years of 2008-2012. ARTF was identified as one of the potential sources of co-funding and this proposed ARTF grant, would finance the rehabilitation of 153 km of secondary and 72 km of tertiary roads. The grant will also co-finance the cost of project management while institutional strengthening will be financed under IDA grant H344.</p> <p>The proposed project will use the same implementation, fiduciary and safeguards arrangements as outlined in NERAP Technical Annex (T7704-AF).</p>
Project Development Objective:	The project development objective (PDO) of the proposed grant is the same as for NERAP and is derived from the overarching program objective of NRAP. The PDO is to provide year-round access to basic services and facilities in the rural areas of Afghanistan covered by the project. This will be achieved through rehabilitation and maintenance of rural access infrastructure by contracting with the private sector and, to a lesser extent, with the communities. The achievement of the PDO will enhance the well being of the population and promote equitable licit economic growth in the country.
Performance Indicators:	<p>The key indicators for monitoring the achievement of the PDO include:</p> <ul style="list-style-type: none"> <li>▪ After completion of a road, travel time of beneficiaries living along the improved road to the first available schools, health care facilities and administrative services would be reduced by 30%.</li> <li>▪ After completion of a road, the number of trips taken by beneficiaries living along the improved road to district centers would increase by 30%.</li> <li>▪ Prices of key consumption and production commodities at beneficiary villages would be within 15% of the price in the nearest town.</li> </ul>
Sector:	Roads and Highways, Agriculture Marketing and Trade (Rural Services & Infrastructure)
Location:	All over Afghanistan
Total Project Cost:	The total funding requirement for NRAP over five years (2008 to 2012) is approximately US\$ 500 million. While IDA has provided grant of US\$ 112 mil through NERAP (H344-AF), the remaining funding is expected to be garnered through other sources, including ARTF.
Amount Requested for ARTF MC Approval	US\$ 30 million (Phase-1) (For Phase-2, a brief supplement to this application will be presented to ARTF Management Committee later in SY 1388 (FY2009-10) depend-

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	ing on availability of funds.
Implementing Agency	Ministry of Rural Rehabilitation & Development (MRRD) and Ministry of Public Works (MPW)
Implementing Period:	32 months. The expected grant closing date is December 31, 2011
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Reviewed and Cleared by the Administrator	Loan Department; Legal Department; Country Management and Sector Management Units

## ARTF Proposal: NERAP

### ABBREVIATIONS AND ACRONYMS

ARTF	Afghanistan Reconstruction Trust Fund	MRRD	Ministry of Rural Rehabilitation and Development
CDC	Community development council	MTR	Mid-term review
CDP	Community development plan	NEEP	National Emergency Employment Program
DA	Designated Account	NCU	National Coordination Unit
DAB	Da Afghanistan Bank	NEEP1	National Emergency Employment Project 1
EC	European Commission	NEPA	National Environmental Protection Agency
EMP	Environmental and Social Management Plan	NEEPRA	National Emergency Employment Project for Rural Access
ESMF	Environmental and Social Management Framework	NERAP	National Emergency Rural Access Project
FA	Float Account	NGO	Nongovernmental organization
FMA	Financial management agent	NPP	National Priority Program
GoA	Government of Afghanistan	NPV	Net present value
I-ANDS	Interim Afghanistan National Development Strategy	NRAP	National Rural Access Program
IBRD	International Bank for Reconstruction & Development	NRVA	National Risk Vulnerability Assessment
IC	Implementation Consultant	NSP	National Solidarity Program
IDA	International Development Association	OP	Operational policy (World Bank/IDA)
IMF	International Monetary Fund	PDO	Project development objective
IP	Implementation Partner	PEFA	Public expenditure and financial accountability
ISN	Interim Strategy Note	PFM	Public financial management
JSDF	Japan Social Development Fund	PDCU	Program Development and Coordination Unit
LIWP	Labor-intensive Works Project	PIU	Program implementation unit
M&E	Monitoring and evaluation	PRTs	Provincial reconstruction teams
MIS	Management information system	SDU	Special Disbursement Unit
MoF	Ministry of Finance	UNOPS	United Nations Office for Project Services
MPW	Ministry of Public Works		

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## A. STRATEGIC CONTEXT AND RATIONALE

### 1. Key Development Issues

1. Afghanistan's progress in many sectors has been impressive: development of road networks has reduced travel times and improved rural access; school enrolments have reached historic highs; health facilities are gaining outreach; thousands of rural communities have been mobilized for development; commercial banks have opened up for business; and microfinance programs have extended services to thousands, mainly women. However, the situation is far from normalized and Afghanistan has not fully emerged from conflict. There is concern that the security situation is deteriorating in many parts of the country and that it is hampering development efforts, particularly in education and health.

2. Poverty in Afghanistan is very high. Poverty analysis relies on household survey data (a partial census was taken in 1979, but none since then). The latest estimate of poverty head count rate of Afghanistan was around 42 percent in the spring of 2007. In addition to the people who live below the poverty line, a large number of vulnerable households are clustered around the poverty line. This group can easily fall into poverty as a result of shocks such as increases in food prices, droughts, conflict, or illness. The poverty estimates also show a large seasonal effect on poverty in Afghanistan. Poverty in rural areas, where a large majority of the population lives, is much higher than in urban areas. One of the sources of rural poverty is lack of rural access, which constrains the transition from opium poppy cultivation to licit rural livelihoods, and thus the World Bank has supported the provision of rural roads to improve rural accessibility.

3. The proposed grant, which would be called the ARTF funded National Emergency Rural Access Project (ARTF NERAP), will help to improve accessibility, integrating the village economy with regional and national markets, leading to better allocation of resources, technology transfer, and higher productivity and outputs. It may also facilitate the expansion of rural non-farm activities. Households who can diversify their income sources will become less economically vulnerable and less dependent on opium poppy cultivation.

### 2. Government Strategy

4. The Afghan National Development Strategy (ANDS), which is the Government's medium term development framework, was presented to the development partners at the Paris Conference held in June 2008. The ANDS is a comprehensive strategy which provides a development vision for the country. It was prepared, based on extensive consultation process, which included some 17,000 representatives of government, civil society, the private sector, and general public, at the national, provincial, and local levels. The strategy document illustrated the considerable progress Afghanistan had made in many respects since the fall of the previous regime in 2001. However, there are still daunting challenges though to the country's ambitious efforts to improve security, build an effective and accountable state, and embark on sustained economic development and poverty reduction. The ANDS identifies 27 benchmarks to be achieved within the next five years, and those that relate specifically to rural roads are: (i) by end-2010, provision of road connectivity would reach 40 percent of the country's approximately 38,000 villages, thereby increasing access to markets, employment, and social services; and (ii) Afghanistan will have a fiscally sustainable system for road maintenance by end-2009. Currently only about 20% i.e. 7,762 out of the approximately 38,000 villages have been connected, and it seems unlikely that the target set out in the ANDS will be met. Moreover the road maintenance system is also not in place as was envisaged, as the pilot for this is still in the design stages.

5. The Transitional Islamic State of Afghanistan launched the National Emergency Employment Program (NEEP) in 2002 as one of four National Priority Programs designed to provide targeted social protection for vulnerable groups throughout the country and to rebuild the rural road infrastructure.

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6. Originally NEEP aimed *to provide employment in rural areas at a minimum wage, as a safety net to as many people and in as short a time as may be feasible*. A Government-led review of NEEP in early 2005 included findings and recommendations regarding the implementation of the overall NEEP social safeguard framework. Based on the evaluation, the emergence of various targeted safety net programs (developing from the NRVA – National Risk and Vulnerability Assessment) and the implementation experience wherein NEEP turned out to be an excellent tool to deliver demand driven rural access infrastructure, the Government clarified the NEEP objectives to provide *nation-wide quality rehabilitation, reconstruction and maintenance of essential rural access infrastructure using appropriate labour-based approaches thereby creating short-term employment for the rural poor*. NEEP thus naturally evolved into a rural infrastructure access program that was also an effective program in providing employment, and was appropriately renamed as National Rural Access Program (NRAP).

7. Today the National Rural Access Program (NRAP) is the Government’s comprehensive rural access program. NRAP covers all 34 provinces. It is a multi-donor program executed jointly by the Ministry of Rural Rehabilitation and Development (MRRD) and the Ministry of Public Works (MPW). The United Nations Office for Project Services (UNOPS) provides support for project implementation as Implementation Consultant (IC)<sup>1</sup>. Works are carried out by local contractors and communities.

8. Within NRAP, the Ministry of Rural Rehabilitation and Development itself implements rural access activities with funding from the European Commission (EC) and the Counter-Narcotics Trust Fund (CNTF), and, for Helmand Province, from the UK Department for International Development (DFID). The rural roads sector also receives funding from the provincial reconstruction teams but on an autonomous basis that complements the peacekeeping operations in Afghanistan.

9. Financing for NRAP has come mainly from IDA grants, the Japan Social Development Fund (JSDF), and donor contributions that are channeled through the Afghanistan Reconstruction Trust Fund (ARTF). The government has provided funds from the World Bank funded Programmatic Support for Institution Building Development Policy Grant. Donors contribute to NRAP because of its proven delivery record, its ability to reach all provinces, and its flexibility, through the implementing agencies, to respond to donors’ geographical preferences. Donors that have contributed bilaterally include AUSAID (Australian Aid), CIDA (Canadian International Development Agency), DFID (Department for International Development), USAID (United States Agency for International Development), EU (European Union) and SIDA (Swedish International Development Agency); their funding all follows the same arrangements—which facilitates donor coordination and allows implementation efficiencies.

**Table 1: Financial Contributions as of January 2009**

Donor	Amount (US\$ million)	Implementing Agencies	Implementing Partner
ARTF-NEEP 1 (World Bank Administered)	52.82	MPW/MRRD/MEW	UNOPS
EC – NRAP	10.6	MRRD	UNOPS (Implementation Consultant)

<sup>1</sup> UNOPS was the Implementation Partner (IP) for both MRRD and MPW for LIWP, NEEP-1, NEEPRA and NEEP RAL, between 2002 and 2008. Under the new NEARP arrangements, UNOPS was hired competitively as Implementation Consultant (IC) as both the Ministries are taking on responsibilities which were earlier undertaken by UNOPS as the Implementing Partner.

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JSDF NEEP RAL (World Bank Administered)	19.6	MRRD	UNOPS
GoA (PSIB NRAP)	15.0	MRRD	UNOPS
IDA-LIWP	16.78	MPW/MRRD	UNOPS/CARE
IDA-NEEPRA	39.2	MPW/MRRD	UNOPS
USAID through UNDP	3.1	UNOPS	UNOPS
CNTF NRAP	11.3	MRRD	
DFID (for Helmand)	15.4	MRRD	
IDA-NERAP	112	MPW/MRRD	UNOPS (Implementation Consultant)
<b>Total</b>	<b>295.8</b>		

10. The World Bank has been the major contributor, supporting this key priority program since 2002, either through direct IDA contributions, or as Administrator of ARTF and JSDF Trust Funds. These contributions have been channeled through five major projects listed below:

- The *Emergency Community Empowerment and Public Works Project* (2002-04; IDA funding US\$16.78 million) which provided employment in rural areas at a minimum wage, as a safety net, through the sustainable rehabilitation of irrigation capacity and provincial and district-level roads.
- *The National Emergency Employment Program-1* (2002-ongoing, planned closing date March 31, 2009, with Afghanistan Reconstruction Trust Fund (ARTF) funding of US\$52.8 million) was launched in 2003-4 with an aim to assist the government in providing employment in rural areas at a minimum wage, as a safety net, to as many people in as short a time as possible. The objectives were later realigned with the objective of government's NRAP which is to enhance human security and promote equitable economic growth by ensuring year-round access to markets, basic services and facilities in the rural areas of Afghanistan, through promoting local productive capacity, and private sector development of essential rural access infrastructure and employment creation for the rural poor.
- *National Emergency Employment Program for Rural Access (NEEPRA)* was prepared (2003-closed September 30, 2007; IDA Credit and Grant, US\$39.2 million). Both NEEPRA and NEEP-1 were initially designed to provide targeted social protection and strengthen key rural access infrastructure, so as to improve the livelihoods of the rural poor through: (i) emergency short-term employment on labor-based works; and (ii) technical assistance for program implementation.
- The *National Emergency Employment Program for Reintegration and Alternative Livelihood* (2004-closed August 27, 2008; Japan Social Development Fund Grant, US\$19.6 million, administered by the World Bank) supported the reintegration of ex-combatants into society and also contributed to the Government's Alternative Livelihood Program in poppy producing areas. The project created opportunities for employment and development of vocational training and business management skills for the beneficiaries.
- *National Emergency Rural Access Project (NERAP)* (US\$112 million): As a follow-up to the recently completed successful project NEEPRA, the World Bank continues its support to the government's rural access program by approving a grant of IDA US\$112 million

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on December 13, 2007, for the National Emergency Rural Access Project. The objective of the project, derived from the overarching objective of the National Rural Access Program (NRAP), is to provide year-round access to basic services and facilities in the rural areas of Afghanistan covered by the project. The project aims to do this by rehabilitating 2,010km of rural roads and 8,859 running meters of various types of drainage structures.

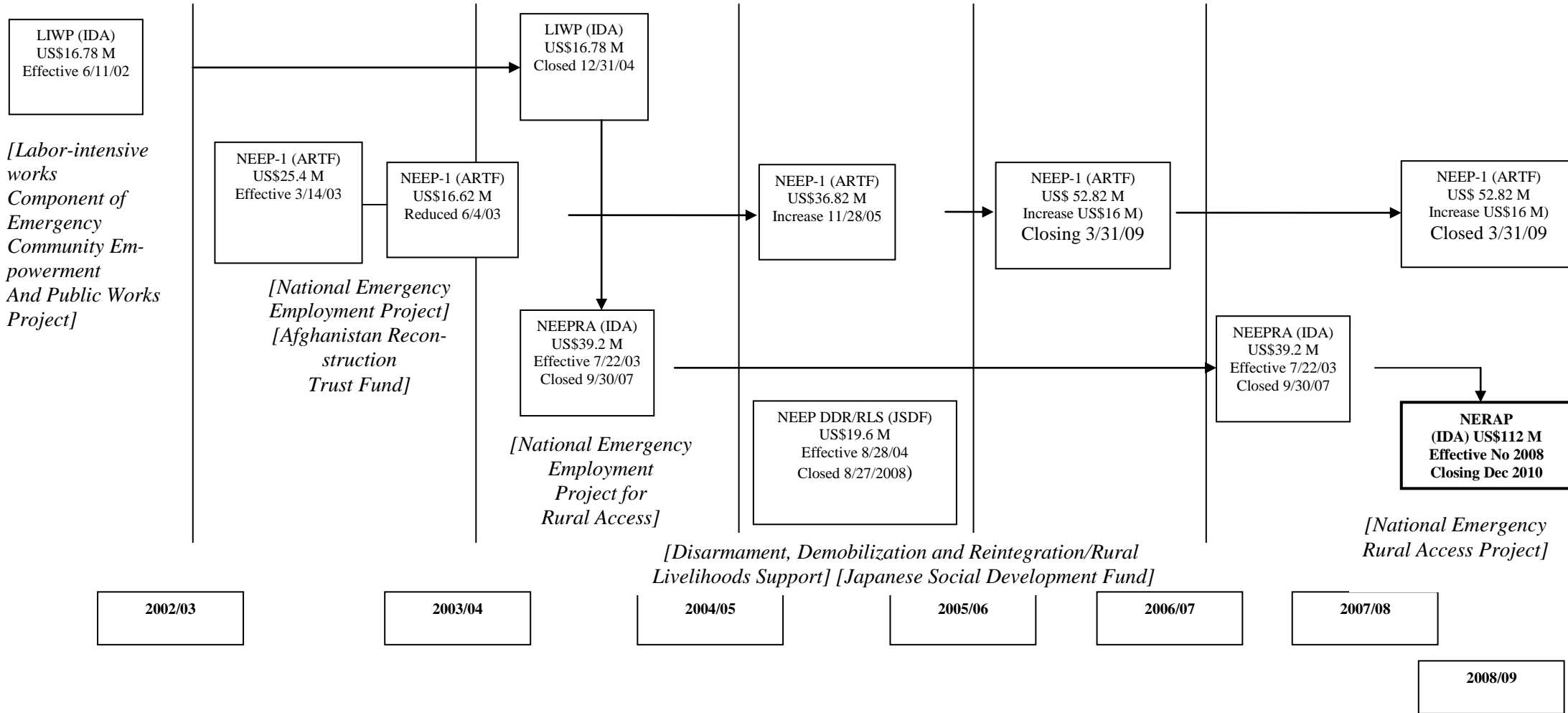
- Government also provided funds from the World-Bank funded Programmatic Support for Institution Building (PSIB) project. These contributions have been implemented in accordance with the project documents formulated for NEEPR.

11. Since inception in 2002, the achievements of the program have been quite impressive: the program has rehabilitated more than 9,400 kms of secondary and tertiary roads. In addition, and in earlier stages, the program also rehabilitated 8 airfields and 98 natural resource management sub-projects, 23 small irrigation sub-projects and four large irrigation sub-projects (rehabilitating 15,000 hectare in Shamalan area). It has created more than 12 million labor days and has provided tangible benefits to the rural population in the form of wages and improved infrastructure in all 34 provinces of Afghanistan.

**Table 2: Program Achievements up to January 2009**

No	Activity	Total
1	KM of Road Rehabilitated since inception (Nov. 2002) till date	9,440
2	Labour Days Generated since inception till date	12,167,312
3	Running Meters of Structures Completed Since Inception till date	72,044
4	Number of Bridges Completed Since Inception till date	71
5	Running Meters of Bridges Completed Since Inception till date	2,172
6	Number of District covered by program	358
7	Number of Provinces Covered by program	34
8	Number of Villages Covered by program	7,762

Figure 1: Overview and timeline of funding for Rural Access



### **3. Rationale for ARTF involvement**

12. The Afghanistan Reconstruction Trust Fund (ARTF), a financing mechanism for the government's budget and priority programs/investment projects administered by the World Bank, has become a centerpiece of aid coordination. Since its establishment in 2003, ARTF has mobilized US\$3 billion worth of contributions from 30 donors, making it the largest multi-donor trust fund for a single country administered by the Bank. The ARTF has channeled donor funding through the government's budget system for provision of basic services and development of community infrastructure and governance. Increasingly, it has also provided the forum for policy dialogue between the government and the development partners on a whole range of Afghanistan's development priorities, strategies and approaches, including governance. ARTF significantly reduces transaction costs on government.

### **4. Performance of Earlier ARTF NEEP/NRAP Project**

13. The implementation of the earlier ARTF funded rural access project in Afghanistan has been successful despite difficult circumstances. The project has helped to improve the delivery of services and access to markets across the country. In the process, a local contracting industry has emerged and is providing job opportunities in remote areas. The Bank has as the Administrator, promoted a dialogue between donors and the government on policy matters, and the government is ready to engage in formulating a strategic program to address the key sector issues. Seeing the convergence of interest in the sector, the donors of ARTF are in a key position to support this policy formulation process and to lead in the use of a programmatic approach by government and its development partners for rural access provision.

14. As mentioned in preceding paras, the ARTF funded National Emergency Employment Project Phase I (NEEP-1), closed on March 31, 2009. For both the public works and the irrigation component, the output targets have been substantially met, or even surpassed. As of 28th February, 2009, under NEEP-I, approximately 3,050 kms of rural access and 17,000 meters of cross drainage structures were completed. In addition 98 natural resource management sub-projects, 23 small irrigation sub-projects and four large irrigation sub-projects (rehabilitating 15,000 hectare in Shamalan area) have been completed. Out of the 538 contracts awarded, 504 contracts have been completed, and 34 contracts were terminated or cancelled for various reasons. Labor days generated under the project are 5.2 million, and it is expected that once final payments have been completed 5.4 million labor days would have been paid. Sub-projects under NEEP-1 (and with further continuous financing under follow-on NEEP/NRAP Projects) have now reached all 34 provinces of Afghanistan.

15. The need for NRAP is huge and at least for the coming five years it will require about US\$500m of which only US\$112m is being provided by IDA under the ongoing NERAP project. The Government has requested the ARTF support for the proposed project because of the critical need to rehabilitate the high priority rural roads not covered by IDA funding and/or by the ongoing projects. Keeping in view the established performance and credibility of the program, and based on earlier experiences, donors have already expressed their interest to channel their funds through ARTF for NRAP, and this will continue to fulfill two of the primary objectives of ARTF i.e. to position the national budget as the key vehicle to align the reconstruction program with national development objectives, and enhance donor coordination for financing and policy dialogue.

16. Therefore, ARTF investment window is the best mechanism to channel donors fund for NRAP and a new ARTF financed project is proposed to be approved and to be linked to the proposed IDA financed NERAP.

### **5. Progress of Current NERAP**

17. IDA funded National Emergency Rural Access Project was approved by the World Bank Board on December 13, 2007, and the Financing Agreement was signed on March 10, 2008. The ef-

fectiveness deadline was set at 120 days after signing i.e. July 8, 2008. The conditions for effectiveness were: (i) engagement of the Implementation Consultant (IC); (ii) establishment of the National Coordination Unit (NCU) and appointment of a Project administrator (iii) establishment of a fully functioning management information system for the Project; and (iv) engagement of the Capacity Building Consultant.

18. Due to various reasons, especially poor response on selection of Capacity Building and MIS consultants, MPW and MRRD were not able to fulfill these conditions by the deadline. After two critical conditions i.e. hiring of IC, and establishment of the NCU were achieved, the project was finally declared effective on November 17, 2008. The project is currently recruiting the remaining consultancies under NERAP.

19. In spite of delays, the project has still made considerable progress on procurement and construction: MRRD has so far awarded 107 contracts worth US\$ 15.1 million, while another 17 contracts estimated at US\$ 3.3 million are under procurement. MPW has signed 30 contracts for \$25 million and has additional 8 contracts worth US\$4.6 million under procurement. It is expected that procurement of works for IDA NERAP will be concluded by end 2009.

20. In anticipation of the proposed funding from ARTF, MPW and MRRD went ahead with sub-project preparation and design. On the part of MRRD, survey and technical designs for all the agreed roads have been completed, while on MPW's part, out of the 27 contracts (both phase 1 and 2 of proposed ARTF funding), 14 have actually been awarded and the remaining 13 contracts are under procurement.

## **B. PROJECT DESCRIPTION**

### **1. Project Development Objective(s) and Key Indicators**

21. The project development objective (PDO) of the proposed project, derived from the overarching program objective of NRAP, is to provide year-round access to basic services and facilities in the rural areas of Afghanistan covered by the project. This will be achieved through rehabilitation and maintenance of rural access infrastructure by contracting with the private sector and, to a lesser extent, with the communities. The achievement of the PDO will enhance the well being of the population and promote equitable licit economic growth in the country.

22. The key indicators for monitoring the achievement of the PDO include:

- After completion of a road, travel time of beneficiaries living along the improved road to the first available schools, health care facilities and administrative services would be reduced by 30%.
- After completion of a road, the number of trips taken by beneficiaries living along the improved road to district centers would increase by 30%.
- Prices of key consumption and production commodities at beneficiary villages would be within 15% of the price in the nearest town.

23. Further, though reductions in opium poppy cultivation will depend on a number of different factors outside the scope of the project, it is proposed to monitor the impact that the completion of project interventions has on agricultural diversity in areas where opium poppy is currently grown.

24. The total funding requirement for the proposed project is broken down into two phases. Phase-1 for an amount of US\$ 30 million, which is currently requested from the ARTF Management Committee, and Phase-2 for an amount of US\$ 20 million, which shall be requested later in SY 1388. This 32-month project would finance about 10 percent of the total estimated cost of the NRAP in the next five years.

25. The proposed project will follow the implementation arrangements agreed to and now functional under IDA NERAP (H344-AF). Under the new arrangements, an explicit effort has been made to reduce the ministries' dependence on technical assistance, as detailed in the Project Implementation section below. Before the project's mid-term review, the Bank team will reassess the capacity of ministry staff with a view to further increase their implementation responsibility. Additionally, the proposed project will aim to involve local communities by liaising with social inclusion officers of MRRD and MPW PIUs in the different stages of sub-project design and implementation, in order to leverage their local knowledge, improve delivery, enhance security, and avoid delays due to land disputes.

## **2. Project Components**

26. The proposed project has two components: (A) improvement of secondary roads by the Ministry of Public Works (MPW); (B) improvement of tertiary roads by the Ministry of Rural Rehabilitation and Development (MRRD). Details of the project components and activities included in each component are presented as follows:

27. **Component A.** Improvement of secondary roads (US\$23.40 million including contingencies and taxes of which ARTF will contribute US\$23.40 million equivalent). This component implemented by MPW will include two sub-components; (i) rehabilitation and reconstruction of about 153 kilometers of secondary rural roads. The investment program is presented in procurement plan in Appendix-5. The roads were selected during preparation of IDA NERAP, and this was based on discussed and agreed criteria which are shown in Appendix-3. These include increasing access for isolated villages, many of which may be highly poppy dependent, to the road network to facilitate delivery of public and social services and access to markets. This proposed project will complement the ongoing project financed under IDA and takes into account as much as possible global equity parameters to ensure balanced investment proposals between the secondary and tertiary roads and equity amongst regions, provinces and districts; and (ii) project implementation assistance: services of an implementation consultant and financial contribution to incremental operating expenses required to run the program implementation unit of MPW, including project allowances for civil servants, and procurement of goods and equipment necessary for implementation support.

28. **Component B.** (US\$6.60 million including contingencies and taxes of which ARTF will contribute US\$6.60 million equivalent). This component will be implemented by MRRD and includes two sub-components: (i) rehabilitation and reconstruction of about 72 kilometers of tertiary rural roads. The project will aim at promoting the development of a professional labor-based contracting industry which is particularly suited for tertiary road improvements. MRRD's investment program was agreed at appraisal. The road selection was largely based on discussed and agreed criteria. These include increasing access to isolated villages, many of which may be highly poppy dependent, to the road network to facilitate delivery of public and social services and access to markets. The proposed project will compliment the ongoing project financed under IDA and takes into account as much as possible global equity parameters to ensure balanced investment proposals between the secondary and tertiary roads and equity amongst regions, provinces and districts; and (ii) project implementation assistance: services of an implementation consultant, financial contribution to incremental operating expenses required to run the project implementation unit of MRRD, and procurement of goods and equipment necessary for implementation support.

29. The map of the proposed roads is attached as Appendix-11.

## **3. Project Cost by Component**

30. Implementation of the project is scheduled for 32 months and will cost US\$ 50 million in two phases. This application is seeking funding for Phase-1 only. The following is the breakdown of the two phases:

## Phase-1

Project Components/Subcomponents	Costs (US\$ million)
Component "A" Improvement of Secondary Roads (MoPW)	
1. Secondary Road works for some 153 kms.	20.58
2. Implementation support (IC and PIU staff)	2.82
<b>Subtotal "A" Improvement of Secondary Roads (MoPW)</b>	<b>23.40</b>
Component "B" Improvement of Tertiary Road (MRRD)	
1. Tertiary road works for some 72 kms	5.60
2. Implementation support (IC and PIU staff)	1.00
<b>Subtotal "B" Improvement of Tertiary Roads (MRRD)</b>	<b>6.60</b>
<b>TOTAL COST</b>	<b>30.00</b>

## Phase-2

Project Components/Subcomponents	Costs (US\$ million)
Component "A" Improvement of Secondary Roads (MoPW)	
1. Secondary Road works for some 156 kms.	13.72
2. Implementation support (IC and PIU staff)	1.88
<b>Subtotal "A" Improvement of Secondary Roads (MoPW)</b>	<b>15.60</b>
Component "B" Improvement of Tertiary Road (MRRD)	
1. Tertiary road works for some 57 kms	3.74
2. Implementation support (IC and PIU staff)	0.66
<b>Subtotal "B" Improvement of Tertiary Roads (MRRD)</b>	<b>4.40</b>
<b>TOTAL COST</b>	<b>20.00</b>

## 4. Sustainability and Critical Risks

### Sustainability Issues

31. Two constraints on the sustainability of project benefits are a shortage of timely funding for road maintenance and a shortage of staff capable of managing the road networks. Very little road maintenance has been done so far, despite an allocation that was made available to both ministries. Given the government's weak capacity to raise revenues and direct a reliable stream of funding to maintenance, it appears more realistic to make external funding available for maintenance and to identify workable mechanisms to carry out routine rural road maintenance.

32. Currently, the proposed project does not include funding for emergency or routine maintenance, which is already covered under IDA NERAP. However it is expected that as and when more funds for the program are made available through ARTF in future, this component would also be addressed.

33. Capacity building in Afghanistan has had only modest success and it would appear that international technical assistance has not always been used effectively. Unlike in the ongoing rural road projects, where UNOPS provided both capacity building and implementation assistance, the IDA-NERAP project will employ consultants specifically qualified for capacity building (while the Implementation Consultant will provide on-the-job training). The selection of the Capacity Building consul-

tant is still underway. Such a differentiation of on-the-job and formal training is expected to lead to better defined capacity building efforts. There is an acute shortage of practical training for university students and it is proposed to continue providing internships for students. Further, no university training to a master's degree level in engineering is currently available in Afghanistan and IDA grant H344 includes a scholarship program.

34. A third aspect of sustainability, which is beyond the project's sphere of influence, is security. Based on experience in NEEP and NEEPR, and currently ongoing IDA NERAP, the project will seek to involve communities to a large extent to ensure their ownership and to make use of their much needed knowledge about anti-government elements operating in the project zones. Such information is vital for project and contractor staff to gauge the risk level.

### **Risks**

35. Critical Risks: The NRAP is a high risk – high reward program. While some of these risks can be mitigated through measures incorporated in the design of the projects, others are beyond its reach (e.g., security) and can only be closely monitored with adjustments made on a continuous basis. The key operational risks are presented below:

- *Risk that security conditions will deteriorate further, not just in the south and east where it is virtually impossible to operate, but more widely throughout the country.* Until 2006 the level of conflict in the country was generally manageable and did not slow down the rural roads program. But in early 2006 the situation started to deteriorate and NRAP had to adjust its delivery mechanism. In certain areas, contractors and national/international staff are no longer able to work. Mitigation measures include taking into the area's risk level in roads selection; working closely with the Community Development Councils (CDCs) or shurahs to ensure community commitment and ownership, negotiate for safe working conditions or switching to community-based contracting. Such contracting will be for basic road improvement and will not require advanced engineering skills. Contract modalities will be advertised in public places for community members to have easy access to this information and to ensure transparency.
- *Risk that qualified national staff and contractors will not be available.* Afghanistan has a very limited skills base due to the prolonged conflict and the slow return of qualified people. The scarce availability of qualified engineers, fiduciary specialists, and technical staff is exacerbated by a crowding out effect from the emerging private sector and generously funded donor projects. Mitigation measures include an implementation unit that can offer reasonably competitive salary and benefits packages, an attractive work environment and on the job training through components A and B. The number of qualified contractors is low and international companies are not setting up permanent local subsidiaries. The market is beginning to be saturated by donor funding and contractors are hesitant to work in higher risk areas. The project will aim to mitigate these risks by tailoring procurement packages that are compatible with contractor capacity and by building up the contracting industry through management and technical training provided by the Capacity Building Consultant hired under IDA NERAP.
- *Risk that Ministry of Public Works and Ministry of Rural Development prefer to set up separate rural roads department, duplicate efforts, and fragment sector coordination.* Currently MRRD and MPW have divided their interventions on rural roads based on a memorandum of understanding (MOU) but the detailed responsibilities should be clarified. So far, coordination is reasonably well ensured by the PDCU but the unit is a rather weak structure and MRRD has already set up a Rural Roads Department. This might lead to an unnecessary increase of cost at the management level and uncoordinated interventions, esp. at district level. Mitigation measures have been built into the project design. Component C of IDA NERAP includes technical assistance for a rural access strategy and framework which i.a. will make

recommendations on realignment of network responsibilities in view of local (rural) connectivity (MRRD) and strategic connectivity (MPW). Strong leadership is necessary to ensure coherent sector planning and management, development and applications of standards to avoid over-investments, etc.

- *Risk that ministries will resist the downsizing of personnel.* Under previous projects MPW and MRRD have taken advantage of relatively liberal staffing policies. An account in June 2007 showed that 700 staff were on the payroll of the NEEP cluster. Staff included international consultants, national consultants, and civil servants from all positions. Over time, several layers of project management were created, for example MPW and MRRD program coordinators, chief and deputy chief coordinators of the Program Management and Coordination Unit (PDCU), director and deputy directors of the project implementation units of MRRD and MPW. The national consultants in the central and regional PIUs have national counterparts who presumably are there for capacity building purposes. Some staff work full time on the program, some work part time, and other do not contribute at all. Agreement was reached during IDA NERAP preparation that under the proposed project staff levels would be adjusted to the requirement of the actual workload. Only staff contributing to the program should be on the payroll and a normative yearly ratio of staff cost to works has been agreed for both ministries during appraisal.

- *Risk of poor governance and lack of anti-corruption measures.* Afghanistan is considered a high risk fiduciary country. Each project is designed to make adequate arrangements to minimize the risk of corruption and to promote the establishment of good governance systems in the concerned line ministries. The public works sector is generally considered a high risk environment and interviews with staff and contractors were carried out during project preparation to learn lessons from the ongoing projects, funded by the World Bank and other donors. The interviews confirmed that corruption is a problem outside the NEEP cluster. Furthermore a review of project management capacity in MRRD, focused on the PIU, highlighted the need to further strengthen the governance system in the ministry. Global experience on community based contracting has shown that when communities manage funds there is a high level of transparency and good record keeping. The routine maintenance component under IDA NERAP would be implemented through the CDCs. The proposed project will put in place transparency, accountability and anti-corruption mitigation measures. These include mainly but not limited to: (i) outsourcing of key steps in the procurement and contract management process to an Implementation Consultant, (ii) technical and financial audits, and (iii) community information and reporting back, and World Bank supervision. In the past, communities have received little or no information on the cost of road works and it is proposed to provide them with information on costs, design and material quantities.

36. The matrix below shows a summary of the key risks and mitigation measures.

### Risk and Risk –Mitigation Measures

Type of risk	Brief Description	Measures to Mitigate Risks
Fiscal affordability	Forecasted cost of the program for five years is US\$ 500 million of which IDA grant covers US\$ 112 million, and the proposed ARTF grant covers US\$ 50 million. It is expected that the balance US\$ 338 million is provided by ARTF, JSDF, bi-lateral donors and additional IDA financing. There is a risk that the program outcomes may not be achieved if the co-financing does not fully materialize.	<ul style="list-style-type: none"> <li>• Diligent program planning and rollout, budget and cash management in the NERAP.</li> <li>• Close coordination of key ministries with the Ministry of Finance to mobilize funds from donors.</li> <li>• The NRAP have a full time National Coordinator and PRC Officer to liaise with ARTF and other donors for mobilizing funds for the NRAP.</li> <li>• Financing Agreement includes safeguards to impose diligent budget and fiscal management for the NRAP.</li> </ul>
Corruption	Managerial and financial weakness in implementing agencies	<ul style="list-style-type: none"> <li>• Financial management arrangements where MPW and MRRD, Implementation Consultant, and Management Support Consultant staff do not handle cash.</li> <li>• Complaints Handling System and external audits to be introduced.</li> </ul>
Delays in disbursement	Managerial weakness in implementing agency	<ul style="list-style-type: none"> <li>• Financial Management functions and Civil Works management outsourced.</li> <li>• Improved planning and management capacity building arrangements to be introduced.</li> </ul>
Decreasing political support for NRAP	Support for NRAP among cabinet members could seriously weaken in the event of changes in political leadership.	<ul style="list-style-type: none"> <li>• Empower inter-ministerial Steering Committee to make key decisions.</li> <li>• Communication strategy and dissemination of MIS data to harness political support.</li> <li>• Impact evaluation and analytical work conducted to provide information on the NRAP's achievements.</li> </ul>
Decreasing security	Deteriorating security conditions may prevent operations in specific areas.	<ul style="list-style-type: none"> <li>• Close monitoring and flexibility in the design and planning.</li> <li>• Community involvement in monitoring, to complement the PIU's monitoring.</li> </ul>

## 5. Economic Aspects

37. Currently selection and prioritization of road projects is informed by community participation and cost-effectiveness criteria, but different approaches are adopted by the two main ministries – MPW and MRRD. Political influence is present in some project selection. There are also overlaps in the network responsibilities of the two ministries which further cloud selection certainties.

38. Investments for NERAP will take place under OP 8.00 conditions and so do not formally require an economic appraisal. However, economic analysis was conducted covering a sample of 14 sub-projects under IDA funded NEEPRA as part of Implementation Completion and Results Report (ICR) preparation. Sampled sub-projects covered 126 Km of rehabilitated rural roads (8% of the NEEPRA roads), two bridges/culverts. Total investment cost is US\$ 3.6 million, benefiting 182 villages and 73873 families with a total population of 0.5 million. About half of the beneficiary families are farm families directly cultivating agriculture lands.

39. The results from this analysis indicated that the average annual economic benefits from vehicle operating cost (VOC) savings was estimated at US\$ 6112 per Km for the rehabilitated roads at 2007 prices. Average annual economic benefits from savings in time taken for travel (VOT) were as-

sessed at US\$ 2452 per Km for the improved roads at 2007 prices. About 71% of the benefits resulted from VOC savings and the rest 29% was from VOT savings.

40. More recently, economic appraisal was conducted for one of the agreed roads under proposed ARTF funded NERAP, using default parameters and some assumption. However the results provide a fairly accurate indication of economic viability with an economic internal rate of return of 12.3%, and discounted cost benefit of 1.01. Detailed analysis is presented in Appendix-7.

## **6. Relationship to Other Programs**

41. NRAP mainly focuses on rural access road infrastructure in the Agriculture and Rural Development sector in the country and covers all 34 provinces. A Technical Working Group within NRAP has been established which has created close relations with all beneficiary ministries of the program. Routine maintenance of rural road will be implemented through CDCs of NSP with close supervision of the program. The project has also tried to develop synergies with other Government programs in the rural areas. e.g. with the IDA funded Horticulture and Livestock Project (HLP), means were explored to better compliment HLP focus clusters with NERAP interventions.

## **C. INSTITUTIONAL ARRANGEMENTS AND PROJECT IMPLEMENTATION**

### **1. Implementation Arrangements**

42. *Project implementation period.* The proposed project would be implemented over thirty two months from May 1, 2008 to December 31, 2011.

43. The institutional arrangements for this project would follow the arrangements and systems established for the ongoing IDA- NERAP project, including the procurement and financial management systems.

44. The project will be implemented by the Ministry of Public Works and the Ministry of Rural Rehabilitation and Development. Both implementing line ministries will utilize the same Implementation Consultant to perform the key financial management functions, however, at mid-term review of the program, Bank will assess the capacity of the finance department of both ministries, and if found satisfactory, they will assume full responsibility of the financial management functions. In order to achieve this aim, the FM capacity of both ministries would be strengthened from project inception, by the relevant FM professionals recruited under the IC contract under IDA-NERAP, regular training and provision of required FM system.

45. *Project oversight.* An inter-ministerial Steering Committee (SC), chaired by the Minister of Finance (or his representatives) and comprising ministers (or their delegates) of Public Works, Rural Rehabilitation and Development and sectoral ministries involved as the main beneficiary ministries in the project (agriculture, basic education, health), will be responsible for the overall policy, strategic planning and project oversight and for integration with other rural development programs. Observers such as local authorities, donors, financing agencies representatives and experts would be invited to attend the SC as required. The SC will meet regularly, at least once per semester and on an ad hoc basis when required. To facilitate the work of the SC a small secretariat has been put in place at the Ministry of Finance that is responsible for coherence with the NERAP program and for reporting to the government and the donors involved in the sector.

46. *Project coordination and monitoring.* Given the emergency nature, and the strategic importance of the project, initial step to a larger program, the large number of activities, to be completed

within a short time frame, and the still limited capacity of the government on coordination and monitoring aspects, the following institutional arrangements have been agreed to ensure that funds disburse quickly, multi-sectoral objectives are reached, and absolute transparency is maintained.

47. A small and efficient national coordination unit (NCU) has been set up by ministerial decree within the Ministry of Finance and is responsible for overall coordination of the entire NERAP project and program. The NCU will in particular ensure donor coordination which will be a key element of a sustainable and smooth multi year programmatic approach. It is headed by a full-time project administrator who is responsible for day-to-day coordination of the project.

48. The NCU works in coordination with the concerned departments and/or the Program Implementation Unit (PIU) in MPW and MRRD and the other relevant ministries and agencies involved in rural development. It has the main function of monitoring and evaluation of the overall project implementation and reporting consolidated progress to the SC. It is also responsible for (a) assuring steady progress of execution in accordance to an implementation schedule reviewed and approved by the World Bank, (b) regular reporting to the SC, (c) monitoring implemented activities included in the contracts of the international implementation consultant (IC) and capacity building consultant (CBC) to ensure adequate and smooth transfer of skills to the national staff, and (d) ensuring that a high ethical standard and transparency is maintained throughout the process.

49. To ensure better coordination, as mentioned earlier a Technical Committee chaired by the NCU and composed of the focal points of beneficiary ministries and implementing bodies (IC and PIU in the case of both MPW and MRRD) has been established. The Coordination Committee is meeting on a regular basis and at least monthly in order to ensure adequate technical coordination and communication between ministries and implementing entities at the implementation level.

50. The figure in Appendix-2: Implementation Arrangements presents the institutional set up clearly distinguishing the responsibilities for project oversight, coordination and monitoring; and implementation and management.

## **2. Procurement Arrangements**

51. With Donor assistance, Afghanistan has made considerable efforts to establish the Legal and Regulatory Framework for public procurement over the last five years. A new Procurement Law, reflecting international best practice in public procurement was enacted in November 2005 replacing the earlier procurement regulations. While it provides a very modern legal system for procurement, effective implementation of the law may encounter difficulties in the current weak institutional structure and capacity of the Government. A Procurement Policy Unit (PPU) has now been established under MoF to ensure the implementation through the creation of secondary legislation, standard bidding documents, provision of advice and creation of the necessary information systems for advertising and data collection. "Rules of Procedure for Public Procurement" which details the better implementation of the Procurement Law has been issued by MoF as circular number PPU/C005/1386 dated April, 12 2007. The Procurement Appeal and Review mechanism is in place and the Manual of Procedures for "Procurement Appeal and Review" has been issued by MoF as circular number PPU/N001/1385 on March 18, 2007.

52. The special Procurement Commission, comprising Ministry of Justice and Ministry of Economy, under the chairmanship of Minister of Finance approves high value contracts. The current thresholds levels for: (i) Civil Works more than US\$ 500,000, (ii) Goods more than US\$ 100,000; (iii) Consultants more than US\$ 200,000 and all contracts following Direct Contracting or Single Source Selection Procedure independent of value. These thresholds are now being reviewed with consideration for an upward revision thus decentralizing the authority to MoF.

53. In the absence of adequate capacity to manage procurement activities effectively, some interim arrangements have been put in place to improve the procurement management of the country. A central procurement facilitation service, ARDS PU has been established under the supervision of Ministry of Economy.

54. 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 Bank funded Public Administration Capacity Building project (PACBP) is the primary instrument for implementing the program to strengthen capacity of the line ministries to manage public procurement in an effective, transparent and accountable manner. The envisaged radical changes to the procurement management environment expected from the new law also require the urgent implementation of a comprehensive human resources and capacity development program. The implementation of the procurement reform component of the PACBP 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. A three year contract for procurement capacity building is in place under PACBP. This assignment should result in development of critical mass of procurement professionals through intensive and extensive training. The consultant's TORs include the development of an accreditation system for procurement professionals. In addition, the law, procedures, procurement appeal, and review mechanisms need wide dissemination to the civil society to enhance transparency and accountability.

55. The NERAP project is implemented by two separate PIUs under the MRRD and MPW. The staff of the PIUs have limited experience in handling procurement under IDA financed projects, in particular civil works and it was therefore agreed with the Government that implementation (including procurement and financial management) of the civil works, which are the major part of the proposed project will be the responsibility of the IC. In order to strengthen the capacity of both ministries, training programs and recruitment of individual international procurement specialists have already started and will be continued during the project.

56. Procurement for the project will be administrated in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004, revised October 2006 "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, revised October 2006 and the provisions stipulated in the Financing Agreement. In addition the The World Bank's "Guidelines on Preventing and Combating Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants" dated October 15, 2006 has been shared with the recipient. The Bank's Standard Bidding Documents, Requests for Proposals, and Forms of Consultant Contract will be used. Civil works and goods following National Competitive Bidding (NCB) procedures shall be procured using the agreed Standard Bidding Documents (SBDs) for Afghanistan. In case of conflict/contradiction between the Bank's procurement procedures and any national rules and regulations, the Bank's procurement procedures will take precedence as per the Article 4(3) of the Procurement Law of the Islamic Republic of Afghanistan dated October 2005. The general description of various procurements under different expenditure categories are described in Appendix 5: Procurement Arrangements.

### **3. Financial Management, Disbursement and Audit Arrangements**

57. In Afghanistan's public sector, financial resources are, by and large, being used for their intended purposes as authorized by a budget that is processed with transparency and has contributed to aggregate fiscal discipline. This is the judgment that emerges from a public financial management performance-rating system recently developed for Afghanistan by the Public Expenditure and Financial Accountability (PEFA) multi-agency partnership program, which includes the World Bank, IMF, EC, and other agencies.

58. Financial management and audit functions for the proposed project utilize country systems centralized in the Ministry of Finance and will be undertaken through the financial management and

audit agents contracted under the ongoing Public Administration Capacity Building Project. This project is the primary instrument for continuing to strengthen Afghanistan's country systems and other fiduciary measures that have been put in place for ensuring the transparency and accountability of funds provided by the Bank and other donors. The Financial Management Agent is responsible for helping the MoF maintain the accounts for all public expenditures, including IDA-financed projects, and for building capacity within the government offices for these functions.

59. At the project level, both the implementing line ministries, MPW and MRRD, are utilizing the Implementation Consultant to perform the key financial management functions. The Implementation Consultant having qualified and experienced financial management staff, and is working closely with the Director of Finance, MRRD and the Director of Planning, MPW to carry out day-to-day financial management operations of the project, preparation of M-16 forms (payment orders), project coding sheet, B27 allotment form and overall contract and project management. Detailed working relationships between the IC and MRRD/MPW finance departments, IC's FM reporting requirements, staffing, systems and other FM arrangements is already included in the IC's contract.

60. Before the mid-term review, the Bank will assess the capacity of the finance departments of both ministries, and if this is found satisfactory, they will assume full responsibility for the financial management functions. The IC will use a computerized accounting system, satisfactory to IDA, to maintain relevant accounting records and generate the required periodic reports on project activities.

61. Quarterly financial monitoring reports will be prepared by the IC/MRRD/MPW finance departments. Consolidated project reports will be prepared, reviewed, and approved by the MoF, supported by the Financial Management Agent.

62. The Ministry of Finance (MoF) will open and maintain a single, segregated Designated Account (DA) for US\$16 million at Da Afghanistan Bank (the country's central bank) in the name of the project on terms and conditions satisfactory to IDA. From the DA, an advance of about US\$6 million will be made available to a separate account, the Float Account (FA), managed by the IC for facilitating prompt payment under those parts of the project (largely works components and the routine maintenance component) that the IC manages. This float account shall be separate from the one opened for IDA funded NERAP. Monthly withdrawal applications and expenditure reporting will be submitted. Financial management arrangements for the project are detailed in Appendix-6: Financial Management Arrangements.

### **Fund Flows and Disbursement**

63. Fund management for the project will follow existing procedures which allow for the advance to the Float Account managed by the Implementation Consultant. As with all public expenditure, all payments under the project will be routed through MoF. The Financial Management Agent will assist the MoF in executing and recording project payments. The Designated Account will be operated by the Special Disbursement Unit (SDU) in the Treasury Department of MoF and the Float Account will be managed by the IC. MRRD/MPW will request the SDU for payments from Designated Account funds. In addition to payments from DA funds, MRRD/MPW will be able to request the SDU to make direct payments to consultants or consulting firms and advances to the Float Account, and to request special commitments for contracts covered by letters of credit. The Float Account will fund expenditures on works. Such requests will follow World Bank procedures. All withdrawal applications to IDA will be prepared and submitted by MoF.

64. Disbursement management arrangements for the proposed project will follow standard World Bank procedures and be based on the best funds-flow arrangements possible, while working within the government's centralized payment system. The ongoing NEEP/NRAP experience shows that continued improvement in communication, planning, and troubleshooting between MRRD, Finance and Treasury, and the Special Disbursement Unit remains a priority, while for MPW, basic disbursement capacity building is a priority. While the SDU will retain final authority over payment approvals, so

as to ensure a smooth flow of funds, MRRD will need to be more proactive in managing its disbursements, ensuring better communication links with Treasury and World Bank counterparts, and improving transaction monitoring (exception reporting). The building blocks of basic disbursement capacity will have to be built within MPW.

### **Accounting and Reporting**

65. A Financial Management sub-manual section of the Project Implementation Manual is to be prepared by the IC under IDA NERAP, documenting the financial management arrangements for the proposed project. The sub-manual will outline guidelines for project activities and establish a project financial management system in accordance with standard Afghan Government policies and procedures. This will include use of the Chart of Accounts developed by the Financial Management Agent (FMA) to record project expenditure. Project accounts will be consolidated centrally in MoF, through the SDU and supported by the FMA. Consolidated project financial statements will be prepared for all sources and uses of project expenditures. This sub-manual shall also be applicable to ARTF NERAP.

### **Audit of Project Funds**

66. The Auditor General, supported by the Audit Agent, is responsible for auditing the accounts of all IDA-financed/managed projects. Annual audited project financial statements will be submitted within six months of the close of GOA's fiscal year. The related projects, NEEP and NEEPRA have over due audit report for Afghan solar year 1386 (March 20th 2008). The audit report was due for submission to the Bank by September 22nd 2008, but it is yet to be submitted till date. This was because of delay in recruiting an audit consultant for supporting the Control and Audit Office (CAO), which is responsible for carrying out audits. This issue has affected all projects in Afghanistan. A waiver of the Bank's remedy for over due audit reports has been obtained. An audit consultant has since been recruited, and June 30, 2009 has been set as the target date for submission of outstanding audit reports for 1386.

## **4. Monitoring and Reporting**

67. The monitoring and evaluation (M&E) system for the both ARTF and IDA-NERAP is intended to provide information to the relevant stakeholders on project implementation performance, process, outputs, and outcomes. The monitoring information should also be used as a decision-making tool by the project implementers. To track whether the NERAP is meeting its objectives, key performance indicators have been developed (See: Appendix 1: Results Framework and Monitoring). Regular supervision and a mid-term review will be conducted by IDA to measure the achievements against these key indicators.

68. The project M&E system will be based on the following six aspects: (a) implementation monitoring, (b) post-implementation monitoring, (c) community participatory monitoring, (d) baseline survey and impact evaluation, (e) Mid term review and (f) an external evaluation study at the end of the project.

69. The MPW PIU will be responsible for monitoring implementation of component A, while MRRD PIU will monitor components B. The M&E focal points of both PIUs will be responsible for coordinating the M&E tasks, liaising with the IC, as well as regional M&E staff and provincial engineers in the collection and reporting of the required data. The monitoring data will be continuously updated and consolidated quarterly for provision to the Bank and will be made available to coincide with the World Bank implementation support missions of the project.

70. Reflecting that focus will be placed towards the community-led management and maintenance, community participatory monitoring will be introduced. The social inclusion unit will ensure the participation of beneficiary communities in the implementation and monitoring of Level 1 contracts.

## **Baseline Survey and Impact Evaluation**

71. A baseline study is currently underway with the help of the Vulnerability Assessment Unit (VAU) of MRRD, and it is expected that the report would be finalized by June 2009. The baseline survey has collected household level information on transport and travel needs, income and expenditures patterns, asset ownership, cropping patterns (including opium poppy cultivation) employment as well as access to markets, health and education services. In order to identify the effects of NERAP projects on outcomes and to generate evidence-based recommendations on how the structure of the program may be adapted to more efficiently meet program goals, a rigorous impact evaluation of project effects and related interventions will be implemented across the life-cycle of the project. The impact evaluation will focus on estimating two core effects: (i) Project Effects; and (ii) Effect of Complementary Input Interventions (CII) (See Appendix 8: Monitoring and Evaluation Arrangements, for details).

72. A mid-term review (MTR) will be jointly conducted for the program during the second year of implementation i.e. around end of 2009, in order to evaluate progress toward the project and program objectives and to identify measures to improve performance if needed. The review will evaluate progress in reaching the NERAP and program objectives, and will identify measures to improve performance if needed.

73. A full-fledged MIS is already established and is functioning reasonably well at MRRD's PIU, while that of MPW's PIU needs further improvement. Neither system is used as a management tool at the present. During the life of the project, a fully functioning MIS will be established at both PIUs. For this purpose, necessary resources are being acquired by the project. It is envisaged that both systems shall integrate the National Rural Network Information, which will allow the PIUs to monitor implementation progress as part of the national rural access program and to report on progress towards the targets set by the ANDS.

## **D. ENVIRONMENTAL AND SOCIAL SAFEGUARDS**

74. During preparation of the IDA funded NERAP in 2007-08, the Government commissioned an assessment of the implementation NEEPRA's Environmental and Social Management Framework (ESMF). This included an audit of a representative sample of road works to assess to what extent NEEPRA's ESMF was implemented, identify existing gaps and capacity constraints, and review appropriateness of the institutional arrangements. The assessment concluded that: (i) the ESMF is not sufficiently mainstreamed and project staff are not fully aware of the existence and importance of such a framework and (ii) the absence of effective implementation arrangements for the ESMF regarding sub-project preparation and execution, reporting, monitoring and documentation might have caused delays in addressing concerns and problems.

75. Based on this assessment the Government prepared an update of the ESMF which should enhance the quality of the road works, see Appendix-9: Environmental and Social Management Framework. The ESMF complies with the World Bank environmental and social safeguard policies as well as the Afghanistan's environmental laws and regulations, prepared by the National Environmental Protection Agency (NEPA) and the Expropriation Land Law (2000) and the Land Policy (2007).

76. Since start of IDA NERAP, increased effort has been made to enhance the capacity and knowledge of MPW and MRRD staff on social and environment issues through workshops and seminar and training sessions. While a marked improvement has been observed, however this is by no means adequate, and the proposed project will compliment IDA NERAP in continuing to create awareness about safeguard related issues, and knowledge on how to resolve these issues.

### **1. Potential Environmental and Social Impacts**

77. In line with the assessment for IDA NERAP, the proposed ARTF Project is an Environmental Category B (partial assessment). The principles governing social and environmental management will be applied through the updated Environmental and Social Safeguards Framework prepared for the NERAP (see Appendix-9: Environmental and Social Management Framework). The assessment carried out by the Government envisages that the World Bank OP/BP 4.01 (Environmental Assessment), OP/BP 4.12 (Involuntary Resettlement), Natural Habitats OP/BP 4.04 and the OP/BP 4.11 (Physical Cultural Resources) could be triggered. The NERAP ESMF has been updated including an Abbreviated Resettlement Framework, to take into account these World Bank policies and their requirements.

78. The updated ESMF is applicable to all activities financed by NERAP, and includes (i) key policy principles for social and environmental management, (ii) tools to guide the screening of road works for significant social and environmental impacts, and to assist in the mitigation of such impacts, (iii) procedures to ensure that these principles and tools are appropriately applied, and (iv) guidelines and an action plan for capacity building and monitoring. This updated Framework has already been operationalized through IDA NERAP, and will continue under ARTF funding as well.

79. *Environmental and Social Impacts.* ARTF NERAP is expected to have mostly positive impacts on the general livelihood, socio-economic situation and market accessibility of the beneficiaries, including on the local environment and health conditions. No adverse environmental impacts due to the location of the rural roads are anticipated because the agreed upon list of roads respects the provisions of the ESMF negative list: no archaeological, historical, or protected heritage monuments; natural habitats or nature reserves; or reserve, protected or unclassified forest areas are situated close to the selected roads. The potential negative impacts, if not properly mitigated, with respect to the biophysical environment, would mainly be effects on water resources, soil erosion, slope stability and aesthetic values of landscape, pollution of air/river courses and impact on flora and fauna.

80. As with IDA NERAP, particular attention will have to be given to the mitigation measures to be implemented during the rehabilitation works period in particular regarding temporary road diversion that may affect people's property and safety; soil erosion, clearing of vegetation, slope instability, operation of quarries and borrow pits; discharge of sewage and other fluid waste from construction camps, and spillage of pollutants (fuel, oil), as well as traffic safety and occupational health and safeguard of workers.

81. In general, impacts are expected to be those associated with the rehabilitation of rural roads and reconstruction of very small infrastructure (i.e. culverts, stream crossings, retaining structures etc.). Such impacts will be addressed by incorporating standard environmental operating procedures into the project implementation manual, contract documents, technical training courses, and monitoring systems. Appropriate Environmental Codes of Practice (ECOPs) will be developed to address environmental issues at design, implementation and maintenance stages. Contractors will be responsible for applying these ECOPs as well as carrying out preliminary environmental screening.

82. *Land Acquisition and Resettlement.* While land acquisition has indeed taken place under the earlier NEEP/NRAP projects, it is not possible to estimate the scale and impacts of it. No formal process of land transfer or compensation has been adopted. On the basis of community consultations, the assessment concluded that there has been voluntary transfer of assets even by vulnerable groups. It is assumed that for the majority of the roads rehabilitated, the average land required for donation has been small and has not marginalized any of the landowners. The lack of documentation, however, has led to unavailability of even tentative information on average land acquisition on the basis of voluntary donation. Additionally, the assessment raises issues regarding weak community consultations - i.e. lack of community involvement in planning of road alignment and width, damage to community structures due to improper alignments - and hence no documentation of community concerns and agreed mitigation measures.

83. The activities to be undertaken under the proposed project involve rehabilitation of existing secondary and tertiary roads and other related rural access infrastructure that may involve only minor land acquisition and will not have any other adverse social impacts, but on the contrary is expected to have significant positive social impacts regarding improved livelihoods. No activities that require involuntary land acquisition or the acquisition of land requiring the resettlement or compensation of more than 200 people will be supported. Consequently, no Resettlement Action Plan is required under the proposed project. The voluntary donation or compensated contribution of land for subproject activities will be guided by the “Guidelines for Land and Asset Acquisition, Entitlements and Compensation” included in the Framework.

84. The involvement of social inclusion officers reduces and or minimizes the issues on land acquisition and encroachment to private properties and damages to properties during subproject implementation. Moreover during sub-project screening social inclusion officers ensures the participation of local minorities to the program and no groups were excluded from project benefits due to ethnic and religious affiliation. Employment opportunities within the projects are available on an equal basis to all; based on professional competence, irrespective ethnic or religious group affiliation. In all road improvements which require consultations with local communities or beneficiaries, gender-separated consultations were conducted to elicit the views especially of the female population.

85. The sub-project screening will ensure inclusion of local minorities and that no groups are excluded from project benefits due to ethnic and religious affiliation. Employment opportunities within the projects will be available on an equal basis to all; based on professional competence, irrespective ethnic or religious group affiliation. In all road improvements which require consultations with local communities or beneficiaries, gender-separated consultations will be conducted to elicit the views of the female population, along with that of the male population.

86. *Mine Risk Management.* Road works will not be undertaken without appropriate mine-risk management. A procedure for mine risk management was developed under the ongoing project and has been included into the updated ESMF for NERAP. All risk assessment and clearance tasks shall be implemented in coordination with the United Nations Mine Action Center for Afghanistan (UN-MACA).

87. *Cultural Property.* Chance archeological finds will be recorded in project monitoring formats, the implementing agency will secure the artifact, and the Archeological Committee will be informed of the find. Should the continuation of work endanger an archeological site, project activities will be suspended until a solution is found. Further information is given in the Attachment 3 of Appendix-9: Environmental and Social Management Framework.

88. *Disclosure of the Environmental and Social Management Framework (ESMF):* The Government (MRRD and MPW) prepared an Executive Summary of the updated ESMF in the local languages (Dari and Pashto) which has been disclosed to stakeholders in the relevant locations. The English version of the ESMF was disclosed, prior to appraisal, in the World Bank Infoshop. Discussions are under way with Government to mainstream the ESMF for all NRAP funding. Experience from the ongoing program, which already has an acceptable ESMF, shows that it is not the framework but the implementation that gives difficulties. Therefore each ministry has appointed a focal officer who will be trained in safeguards and who will be tasked with a systematic follow-up of these issues. In addition, a series of workshops will be held for project staff.

## **2. Safeguards Management Performance and Follow-up**

3. The NERAP ESMF specifies Environmental Mitigation Measures (EMM), Environmental/Social Checklists for screening of road works (Category B), along with Environmental Audit Forms. The Focal Officers should create and operationalize a reporting mechanism on the status of the ESMF implementation and identify gaps and problems in this regard. They should also mainstream,

with the help of the project management team, the ESMF in the whole project cycle. This reporting system functionality will be an indicator of whether the ESMF is working or not.

4. The National Environmental Impact Assessment, promulgated by the National Environmental Protection Agency (NEPA) of Afghanistan under its current regulations may require compliance with its regulation and in certain cases, NEPA certification might be needed.

### Appendix 1: Results Framework and Monitoring

PROJECT DEVELOPMENT OBJECTIVE	PROJECT OUTCOME INDICATORS	USE OF PROJECT OUTCOME INFORMATION
To enable the rural population to benefit from year round access to basic services and facilities in the rural areas of Afghanistan covered by the project <sup>2</sup>	<ul style="list-style-type: none"> <li>• Reduced travel time of beneficiaries living along the improved road to first available schools, health care facilities as well as administrative services</li> <li>• Increased no. of trips taken by beneficiaries living along the improved road to first available schools, health care facilities as well as administrative services</li> <li>• Reduced difference in price of key consumption<sup>3</sup> and production commodities<sup>4</sup> between the beneficiary villages and the nearest town<sup>5</sup></li> </ul>	Use this information to ascertain if NERAP is on track in increasing access to basic services and facilities. Assess if NERAP is on schedule in contributing to ANDS targets.
INTERMEDIATE OUTCOMES	INTERMEDIATE OUTCOME INDICATORS	USE OF INTERMEDIATE OUTCOME INFORMATION
<b>Intermediate Outcome I</b>		
Secondary and tertiary roads are improved, repaired and maintained, ensuring the balanced investments between the secondary and tertiary roads and equity amongst regions and the compliance with the social and environmental safeguards	<ul style="list-style-type: none"> <li>• km of secondary and tertiary rural roads rehabilitated</li> <li>• m<sup>6</sup> of drainage structures (culvers, retaining walls, washes and bridges) rehabilitated</li> <li>• No of labor days generated from level 1 and 2 road rehabilitation</li> </ul>	<p>To verify satisfactory progress and appropriateness of the implementation strategies.</p> <p>Based on the verified outcomes, to take appropriate corrective measures.</p> <p>To ensure that the program is heading towards a desirable direction and the national plan is effectively implemented.</p>
<b>Immediate Outcome II</b>		

<sup>2</sup> The PDO is derived from the overarching program objective of NRAP.

<sup>3</sup> Wheat and kerosene oil

<sup>4</sup> Fruits and vegetables

<sup>5</sup> Trend of price change will be compared with the control groups

<sup>6</sup> Running meters

Rural road management system established	<ul style="list-style-type: none"> <li>• A rural access policy and strategy is in place by the MTR</li> <li>• An maintenance scheme, to be prepared by MRRD, is in place by the end of 2<sup>nd</sup> year</li> </ul>	To ensure that local communities are consulted and involved in the design of the road maintenance works
Capacity built at national and provincial level	<ul style="list-style-type: none"> <li>• No. of engineering/social development students who successfully complete internships with NERAP</li> <li>• An improved and interactive M&amp;E system established in each PIU along with an improved MIS by the MTR</li> </ul>	

## 2. Arrangements for Results Monitoring

Outcome Indicator	Baseline (end 2009)	Cumulative Target Values			Data Collection and Reporting		
		Year 1	By MTR	End of Project	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
% of reduction in travel time of beneficiaries living along the improved road to first available schools, health care facilities and administrative services	To be established by baseline survey		At least 15 %	At least 30 %	Twice: early 2009 and input for ICR	Baseline survey	Vulnerability Analysis Unit of MRRD under guidance from Harvard research team
% of increase in the no. of trips taken by beneficiaries living along the improved road to first available schools, health care facilities as well as administrative services	To be established by baseline survey		At least 15 %	At least 30 %	Twice: early 2009 and input for ICR	Baseline survey	Vulnerability Analysis Unit of MRRD under guidance from Harvard research team
% of difference in price of key consumption and production commodities between at beneficiary villages and in the nearest town	To be established by baseline survey		At most 10 %	At most 15 %	Twice: early 2009 and input for ICR	Baseline survey	Vulnerability Analysis Unit of MRRD under guidance from Harvard research team

Diversification of cropping patterns and income sources of beneficiaries living along the improved road	To be established by Base-line					Baseline Survey	Vulnerability Analysis Unit of MRRD under guidance from Harvard research team
<b>Intermediate Outcome I</b>							
Km of secondary rural roads rehabilitated	0	30	123	153	Quarterly	MPW MIS	MIS Dept
Km of tertiary rural roads rehabilitated	0	25	50	72	Quarterly	MRRD MIS	MIS Dept
Running meters of culverts, retaining walls and bridges to be rehabilitated for secondary roads <sup>7</sup>	TBD	TBD	TBD	TBD	Quarterly	MPW MIS	MIS Dept
Running meters of culverts, retaining walls and bridges to be rehabilitated for tertiary roads <sup>8</sup>	TBD	TBD	TBD	TBD	Quarterly	MRRD MIS	MIS Dept
No. of labor days generated by MPW through rehabilitation work	0	330,000	780,000	1,029,000	Quarterly	MPW MIS	MIS Dept
No. of labor days generated by MRRD through rehabilita-	0	250,000	400,000	500,000	Quarterly	MRRD MIS	MIS Dept

<sup>7</sup> To be finalized by first quarter of implementation

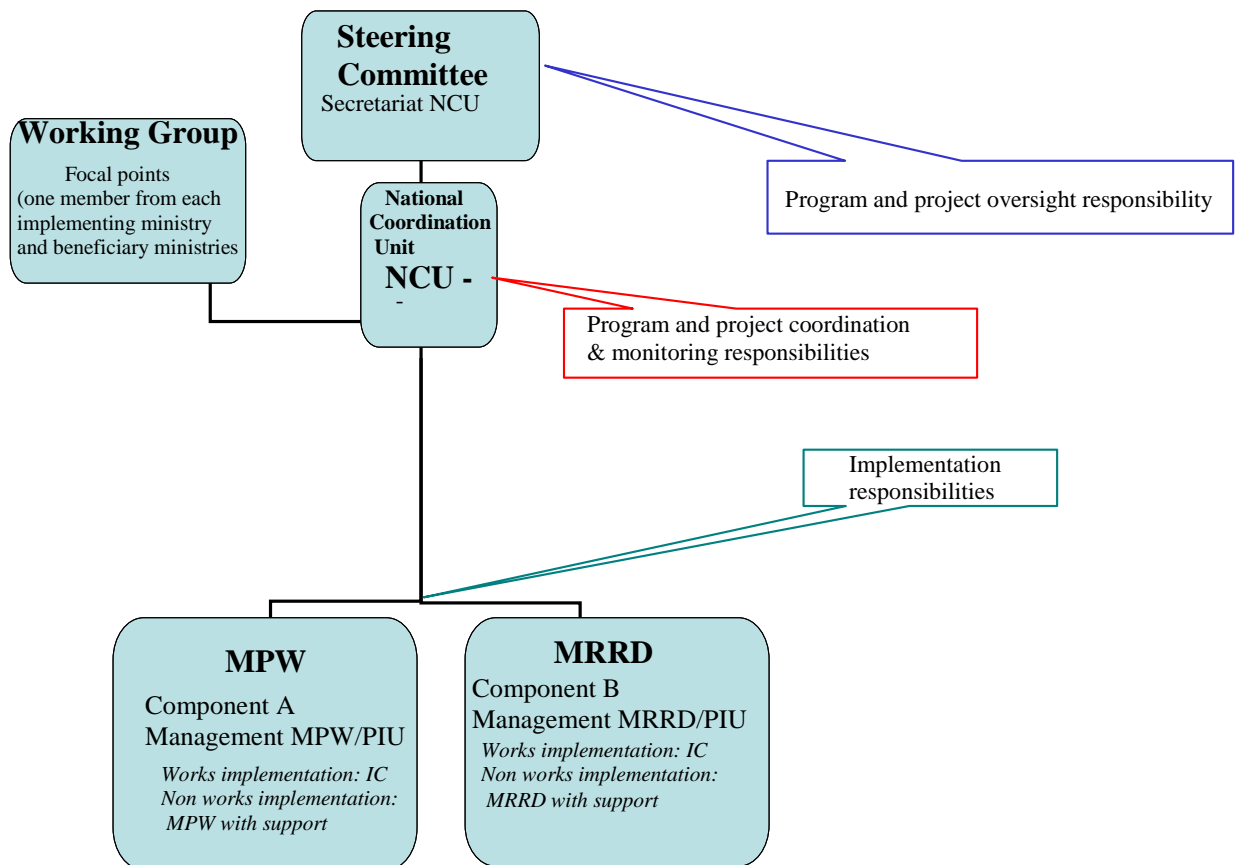
<sup>8</sup> To be finalized by first quarter of implementation

tion work							
<b>Intermediate Outcome II:</b>							
A rural access policy and strategy is in place by the MTR	None existent		Strategy developed		Mid-term	MTR	MRRD
An maintenance scheme is in place by the end of 2 <sup>nd</sup> year	None existent		Mechanism in place		Mid-term	MTR	MRRD
No. of engineering, social development students who successfully complete internships with NRAP	0		At least 70	At least 120	Mid-term	MTR	NCU
An improved and interactive M&E system established at each PIU along with an improved MIS	MRRD MIS exist, but MPW is yet to establish		Fully integrated MIS in place		Mid-term	MTR	MRRD and MPW PIUs

## Appendix-2: Implementation Arrangements

1. The implementation arrangements will follow the ones established for the IDA National Emergency Rural Access Project (NERAP) and outlined in Technical Annex Report No: T7704-AF.

**Figure 1: Proposed NERAP institutional arrangements**



## Capacity of the Government to Execute the Project

2. During appraisal of the IDA NERAP, Government has expressed a strong interest to take over the responsibility for program and project implementation from the Implementation Partner. In the interest of establishing the presence of Government throughout the country, ministries consider it essential that they are given greater visibility and that the perception is corrected that non-governmental organizations are the main actors of change in Afghanistan. The World Bank, appreciating the interest of the ministries, in particular MRRD, to take full responsibility for project implementation, had agreed to an arrangement that corresponded to the expectations of the ministries while ensuring that the fiduciary requirements of the World Bank were also met. The arrangements agreed are described below:

### Program and project implementation and management structure

3. *Project oversight.* An inter-ministerial Steering Committee (SC), chaired by the Minister of Finance (or his representatives) and comprising ministers (or their delegates) of Public Works, Rural Rehabilitation and Development and sectoral ministries involved as the main beneficiary ministries in the project (including agriculture, basic education, health, counter narcotics), is responsible for the overall policy, strategic planning and project oversight and for integration with other rural development programs. Government has decided to invite donors to be permanent observers on the SC. Other observers such as local authorities, and experts could be invited to attend the SC as required. The SC will meet regularly, at least twice a year and on an ad hoc basis when required. To facilitate the work of the SC, a National Coordination Unit (NCU) will be put in place at the Ministry of Finance that would be responsible for secretariat support to the SC and for reporting to the government and the donors involved in the sector.

4. *Project coordination and monitoring.* Given the emergency nature of the project, the strategic importance of the project, which is an initial step to a larger program, the large number of activities, to be completed within a short time frame, and the still limited capacity of the government on coordination and monitoring aspects, the following institutional arrangements have been agreed to ensure that funds disburse quickly, multi-sector objectives are reached, and transparency is maintained.

5. A small and efficient national coordination unit (NCU) has been set up by ministerial decree within the Ministry of Finance, responsible for overall coordination of the entire NERAP project and program. The NCU will in particular ensure donor coordination which will be a key element of a sustainable and smooth multi-year programmatic approach. It is headed by a full-time project administrator, who is responsible for day-to-day coordination of the project. The NCU works in coordination with the Program Implementation Unit (PIU) of MPW and MRRD and other relevant ministries and agencies involved in rural development. Its main function is to monitor and evaluate the overall project implementation and to report the consolidated progress to the SC. It is also responsible for (a) assuring steady progress of execution in accordance to an implementation schedule reviewed and approved by the World Bank, (b) regular reporting to the SC, (c) monitoring implemented activities included in the contracts of the international implementation consultant (IC) and capacity building consultant (CBC) to ensure adequate and smooth transfer of skills to the national staff, and (d) ensuring that a high ethical standard and transparency is maintained throughout the process.

6. To ensure better coordination, a Technical Working Group chaired by the NCU and composed of the focal points of beneficiary ministries and implementing bodies (IC and PIUs of MPW and of MRRD) has already been established. This working group will meet on a regular basis and at least monthly in order to ensure adequate technical coordination and communication between ministries and implementing entities at the implementation level.

7. *Project management and implementation.* Based on the assessment made during IDA NERAP appraisal, pertaining to capacities of the Ministries : (i) MPW will implement component A. For the works part, it will delegate most of its implementation responsibilities to an IC, which will be in charge of and responsible for the implementation of the investments under the overall responsibility

of MPW. If these recruitments fail the responsibility for non-works will be assigned to the IC); (ii) MRRD will implement activities under component B. For the works part, it will delegate part of its technical and fiduciary responsibilities to an IC (already selected competitively under IDA NERAP) which will be in charge of and responsible for the implementation of the investments under the overall responsibility of MRRD. Non works activities will be managed by PIU/MRRD and implemented by the functional departments of MRRD with the support of the required expertise and training of the newly recruited staff.

8. UNOPS has already been hired competitively as the Implementation consultant by the two ministries through a competitive process. UNOPS shall continue as IC for the proposed ARTF NERAP as well. The two tables below summarize the distribution of responsibilities between the IC and the ministries for the works implementation of components A and B.

**Table 1: Distribution of responsibilities in MPW implementation mechanism**  
**Works implementation mechanism component A**

<b>Responsibilities</b>	<b>MPW/PIU</b>	<b>IC</b>
day-to-day management of NERAP	X	
coordinate and supervise the implementation of the infrastructure works	(X)	X
sub-projects identification, prioritization and selection	X	(X)
Reviewing and/or preparing designs, cost-estimates and Bills of Quantities	(X)	X
Review and/or reparation of tender documents	(X)	X
Approval of tender documents	(X)	X
Issuing of tender documents	X	X
Evaluation of bids	(X)	X
Recommendation for awards	(X)	X
Pre-award review	(X)	X
Award	(X)	X
Signature of contract	X	
Implementation and supervision of sub-projects, including quality and quantity control and contract administration	(X)	X
Preparation of payment	(X)	X
Payment to contractors (co-signatures)	X	X
Certification of Completion of Work	(X)	X
Overall management of the ongoing works.	(X)	X
Technical and financial monitoring of the contracts in conformance with the project performance indicators	(X)	X
Monitoring of the environmental and social aspects by the sub-contractor	(X)	X
IC Staff Management and counterparts coordination	(X)	X
Counterparts and PIU staff involved with IC management	X	(X)
Operations	(X)	X
Contract and Project Financial Management	(X)	X
Reporting to the Bank	X	(X)

**Note: X Primary Responsibility**  
**(X) Secondary Responsibility**

**Table 2: Distribution of responsibilities in MRRD implementation arrangement  
Works implementation mechanism component B**

<b>Responsibilities</b>	<b>MRRD/PIU</b>	<b>IC</b>
day-to-day management of NERAP	X	
coordinate and supervise the implementation of the infrastructure works	X	X
sub-projects identification, prioritization and selection	X	
Reviewing and/or preparing designs, cost-estimates and Bills of Quantities	(X)	X
Review and/or preparation of tender documents	X	(X)
Approval of tender documents	(X)	X
Issuing of tender documents	X	X
Evaluation of bids	(X)	X
Recommendation for awards	(X)	X
Pre-award review	(X)	X
Award	X	X
Signature of contract	X	
Implementation and supervision of sub-projects, including quality and quantity control and contract administration	(X)	X
Preparation of payment	(X)	X
Payment to contractors (co-signatures)	X	X
Certification of Completion of Works	(X)	X
Overall management of the ongoing works.	(X)	X
Technical and financial monitoring of the contracts in conformance with the project performance indicators	X	X
Monitoring of the enviromental and social aspects by the sub-contractor (including recruitment and employment procedures)	X	(X)
IC Staff Management and counterparts coordination	(X)	X
Counterparts and PIU staff involved with IC management	X	(X)
Operations	(X)	X
Contract and Project Financial Management	(X)	X
Reporting to the Bank	X	(X)

**Note: X Primary Responsibility  
(X) Secondary Responsibility**

The scope of services of the IC is determined by the above-mentioned implementation mechanisms for works and includes:

- D1: **For MPW**, the Consultant will be responsible for the execution (and training on the job of counterparts designated by MPW) of all tasks necessary for the implementation of works foreseen under component A as per Table D1 below, from the engineering studies to the certification of completion of the works. The Consultant will also assist and support MPW in setting up and managing efficient and sustainable procurement and financial management systems for the non works project activities which will be implemented by MPW.
- D2: **For MRRD**, the Consultant will be responsible for the execution (and training on the job of counterparts designated by MRRD) of all tasks necessary for the implementation of rehabilitation works foreseen under component B as per Table D2 below, from the engineering studies to the certification of completion of the works. The Consultant will also assist and support MRRD in setting up and managing efficient and sustainable procurement and financial management systems for the non works project activities which will be implemented by MRRD.

### **D. 3 Procedures manuals**

1. The manual of administrative, accounting, and financial procedures (including the procurement sub-manual and Financial management sub-manual), and the project implementation plan and manual prepared under IDA NERAP shall also be applicable to ARTF NERAP.

### **D 4. Procurement, contract management and work supervision**

2. The following specific activities will be carried out by the IC for each sub-project in full compliance with the procurement and project management procedures agreed upon during the project preparation, with procedures defined in the Grant Agreement and with IDA guidelines. In the main, the activities have been defined in Table D1 et D2 and include *inter alia*:
  - Survey of the works
  - Preparing designs, cost-estimates and Bills of Quantities
  - Preparation and approval of tender documents on the basis of sample bidding documents agreed upon during the project evaluation
  - Publication of Specific Procurement Notice in the newspaper and website
  - Issuing of tender documents
  - Evaluation of bids
  - Recommendation for awards
  - Award of contract
  - Implementation and supervision of sub-projects, including quality and quantity control and contract administration
  - Payment to contractors
  - Technical and financial monitoring of the contracts in conformance with the project performance indicators
  - Monitoring of the social targeting by the contractor/sub-contractor (including recruitment and employment procedures)
  - Certification of Completion of Work
  - Overall management of the ongoing works.

**For Works supervision**, the tasks involved shall include but not limited to:

- Issuing the order to commence the works;
- Approving Contractor's work program, method statements, material sources, etc;
- Preparing and /or approving working drawings, approving the setting out of the works, and instructing the contractors;
- Comprehensive supervision of project implementation activities carried out by the contractor to ensure complete compliance with the drawings, technical specifications and various stipulations contained in the Contract Document;
- Approving the Contractor's detailed work program, the plant and machinery deployment schedule, contractor's superintendence, personnel etc;
- Approving the Construction Methods proposed by the Contractor for carrying out the works to ensure that these are in conformity with the sub project's technical requirements, implementation schedule , environmental and social management framework (ESMF), as well as safety of works, personnel and the general public;
- Taking measurement and keep measurement records;
- Maintaining records, correspondence and diaries;
- Preparing and issuing reports as defined subsequently;
- Certifying work volume and recommending interim certificates for progress payments;
- Processing the contractor's claims;

- Maintaining consolidated project accounts, and preparing financial statements;
- Certifying completion of part or all of the works;
- Ensuring timely completion of all works;
- Identification of specific events that may impact negatively on the works (quality, contract price, delays, etc.), evaluation of these impacts and propose any course of action to mitigate these impacts;
- Associating himself with the tests being carried out by staff of the Contractor and, undertaking additional tests as necessary to ensure the quality of works;
- Reviewing the test results/certificates of all construction material and or sources of material and undertaking additional tests as necessary to assess the quality of works;
- Preparing updated and additional drawings as required during the contract period and their timely issue to the contractor;
- Carrying out detailed checking and verification of the setting out data for the work including lines, levels and layout to ensure conformity with the working drawings;
- Ensuring taking requisite samples during execution and promptly advising the contractor about the result;
- Carrying out regular inspection of the Contractor's Plant, Machinery, installation, etc and ensuring they are adequate and are in accordance with the terms and conditions of the contract;
- Evolving and implementing a system for the quality assurance of the works. The system of control of quality of material and completed works shall also include sampling method and criterion and acceptance criteria;
- Ensuring that road safety issues identified at the design stage are properly addressed during construction, and conducting a road safety audit at every stage;
- Preparation of complete records and reports on tests performed by him and checking the Contractor's as built drawings for the works;
- Provide the employer with complete records and reports for defending Contractor's Claims before Adjudicator/Arbitrator

#### **D 5. Other responsibilities**

3. The Consultant is also requested to perform regularly (at least on a quarterly basis) the consolidation of works and non works for MPW and MRRD and to present the project for reporting purposes. The Consultant will also be requested to take the responsibilities for the regular production of the FMR (Financial Monitoring Reports) as per World Bank requirements and guidelines.

#### **D 6. Reporting:**

4. The Consultant will submit in five (5) printed copies and in electronic format the following reports to MPW, according to formats agreed upon under IDA NERAP:

- Monthly progress reports, giving an overview of the physical and financial progress of all schemes;
- Quarterly progress reports, giving an overview of the total project budget and expenditure, the overall progress compared to the agreed indicators, milestones achieved during the quarter, the main problems and constraints and a concise work plan for the next quarter;
- Annual Work Plans, whereby the first annual work plan contains an overall work plan for the full project;
- Financial Monitoring Report (FMR) or Interim Un-audited Financial Reports (IUFs)
- Updating of Procurement Plan;
- Completion Report, at the end of the project;
- Ad hoc reports, as from time to time requested by the MPW and/or MRRD. The contractor is expected to maintain a database with all ongoing road works, in order to facilitate these reports.

- **Subproject Works Progress Monitoring and Subproject Completion Report**

The Consultant will prepare the following reports:

- **Monthly Progress Report** with tables standardized to be submitted by the tenth day of the following month,
- **Ad hoc and special reports** to be submitted within reasonable delays on working incidents, technical issues, etc. arising during progress of works;
- **Quarterly report** shall be submitted by the 15<sup>th</sup> day of the following quarter. Two copies of this report shall be sent to IDA. This report shall include:
  - i. Physical and financial progress achieved and the projected progress for the forthcoming period,
  - ii. Problems encountered and corrective measures taken or recommended.
  - iii. Staff assigned by the Consultant, type of inputs and duration and the proposed input of key personnel for the next quarter,
  - iv. The Contractor's personnel and Plant and Machinery used, a list of Equipment and materials not in use during the previous period and their comparison with original planning;
  - v. Records of the meetings regarding contract administration and decisions taken, Mobilization of resources (Consultant's and Contractor's) for the forthcoming period,
  - vi. Approval/ changes in Works program if any, delays anticipated, and action proposed.
- **Works Completion Report** after the provisional acceptance of works. This shall include the observations and recommendations of the supervision team, the actual works carried out, detailed costs of the works and actual quantities compared to planned works, approved variations, and recommendations on any unsettled Contractor's Claims. The report shall also include a detailed break down on the Contractor's final Contract sum (cost of wages, cost materials used, cost of plant and machinery, depreciation costs, taxes, etc.).
- **The Provisional Final Report** to be submitted not later than one (1) month after the provisional acceptance of work. The Client/Employer will provide comments and observations within a period of one month after receipt of the report and the Consultant shall finalize the report within one month after receipt of any comments. The final report shall be submitted in ten (10) copies.
- **The Subproject Completion Report** shall be submitted after final handing over of the works.

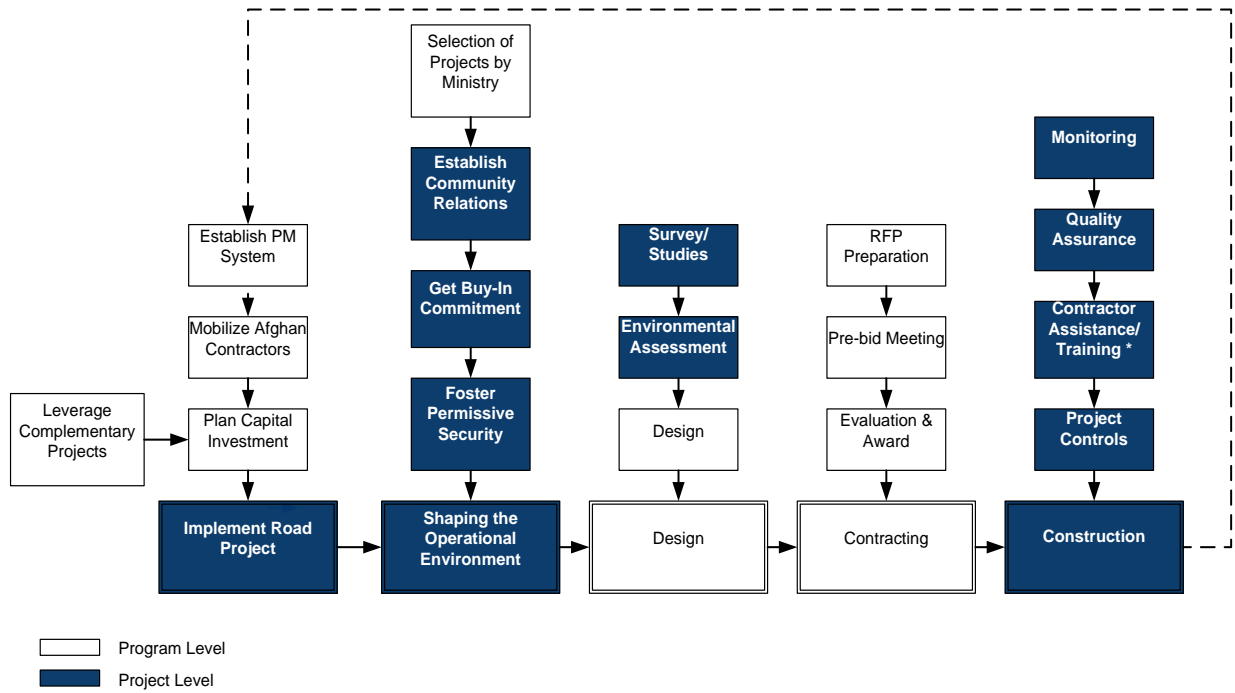
5. The MPW and MRRD will provide the following inputs:

- Free access to all land for which access is required for the performance of the services;
- Office space for national HQ and regional offices, and equipment newly procured under the NEEPR project;
- Counterpart personnel: MPW and MRRD will supply counterpart staff. These counterpart staff will take part in all activities mentioned above. The Consultant is expected to give on-the-job training to these counterpart staff.
- Access to all data and documents requested by the contractor, unless these documents are confidential in nature.

## **D 7: IC Contract Review**

6. The Client will arrange for an independent review of contract compliance on an annual basis or as needed

**Implementation Process Flow Chart**



### Appendix-3: Criteria for sub-project selection

- **Group 1. Former priorities**
  - **Criteria 1. Former priorities still not financed from the Provincial Planning Process (PPP) of June 2003.** MRRD had launched a bottom-up PPP nationwide in June 2003. During this exercise the district representatives, in consultation with the communities, identified four priority projects per district based on the agreed criteria among the representatives.
  - **Criteria 2. Former priorities still not financed from the NEEP provincial planning exercise of September 2004.** In September 2004 NEEP organized a planning workshop in twelve provinces affected by drought to identify priority roads to be rehabilitated selected on agreed criteria among the district representatives using the pair-wise ranking method at the district level.
- **Group 2. Communities' requests**
  - **Criteria 3.** Direct requests from the communities. Community Requests (CR) channeled through the planning departments of MPW and MRRD.
  - **Criteria 4.** Community requests (CR) channeled through other administrative instances (e.g. local authorities, Governors, members of Parliament) often with peace and reconciliation objectives in strategic areas.
- **Group 3. Consolidation works to sustain previous rural road investments**
  - **Criteria 5.** Consolidation works for roads that were rehabilitated under National Emergency Employment Project for Rural Access (NEEPRA) (drainage, upgrade works, surfacing of road with double-bituminous surface treatment, etc).
  - **Criteria 6.** Completion of road works which were only partially funded under NEE-PRA, for example an access road leading to a NEEPRRA-funded bridge.
- **Group 4. Connectivity for isolated areas**
  - **Criteria 7.** Access of isolated villages many of which may be highly poppy dependent to the road network to facilitate delivery of public and social services and access to markets.
- **Group 5. Complementarities with other social and rural development projects**
  - **Criteria 8.** Complementarities with e.g. NSP, irrigation and agriculture investments

### Appendix-4: Summary of Project Costs

#### Project Costs by Component (US \$ and Percentage)

##### Phase -1 (Current Proposal)

<b>Components</b>	<b>US\$</b>	<b>Percent</b>
Component A: Improvement of Secondary Road through MPW	23.40	78.00
Component B: Improvement of Tertiary Road through MRRD	6.60	22.00
<b>Total</b>	<b>30.00</b>	<b>100</b>

##### **Single Expenditure Category**

Civil Works, Goods, Consultants' Service and Training and Incremental Operating Costs.	US\$ 30,000,000	100% (including taxes) of project-related expenditures financed
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##### **Phase-2 (Future Proposal contingent on availability of further funds)**

<b>Components</b>	<b>US\$</b>	<b>Percent</b>
Component A: Improvement of Secondary Road through MPW	15.60	78.00
Component B: Improvement of Tertiary Road through MRRD	4.40	22.00
<b>Total</b>	<b>20.00</b>	<b>100</b>

##### **Single Expenditure Category**

Civil Works, Goods, Consultants' Service and Training and Incremental Operating Costs.	US\$ 20,000,000	100% (including taxes) of project-related expenditures financed
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## **Appendix 5: Procurement Arrangements**

### **Country Context**

1. The Bank has gained substantial experience and understanding of the procurement environment in Afghanistan. This has been through its involvement in the interim procurement arrangements put in place under the Emergency Public Administration Project. In addition experience gained working with the institutions with current responsibility for procurement functions including 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 of the procurement environment in the country based on the baseline and performance indicators developed by a group of institutions led by the World Bank and OECD/DAC in June 2005 and September 2007.

2. The first key issue identified through the procurement assessment is lack of ownership and a procurement champion in the Government. This 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 technical specifications 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 on application of public procurement rules.

3. A new Procurement Law (PL) has been adopted in November 2005 (revised in July 2008 and further Amendments made in January 2009) which radically transforms the legal and regulatory framework. As per the Law a Procurement Policy Unit (PPU) was established to provide oversight for implementation of the Law. PPU has issued several circulars regarding implementation of the Procurement Law including issuance of "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 has currently developed several SBDs/SRFPs/RFQs for national and international procurement of goods/works and consulting services following national procedures as per the PL.

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

5. The Procurement Law has been revised in July 2008 and issued as a new Law by the Ministry of Justice wide circular 2211-2254 on July 23, 2008. The PL has been amended in January 2009. The "Rules of Procedures for Public Procurement" has been revised to be consistent with the revised PL and issued MOJ.

### **Part A. General**

6. The proposed project will be implemented by MPW and MRRD. MPW will be responsible for the implementation of improvements to secondary roads (US\$39 million) and MRRD will be responsible for the improvements to tertiary roads (US\$11 million) both components focusing to improve the rural access. Both components will be split into two phases.

7. The Procurement administration of the project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004, revised October 2006, "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, revised October 2006 and the provisions stipulated in the Grant Agreement. The World Bank's "Guidelines on Preventing and Combating Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants dated October 15, 2006 has been shared with the recipient. The general description of various procurements 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 frame are agreed between the Grant Recipient and the Bank project team are described in the Procurement Plan agreed with the Government at appraisal and finalized during negotiations. This Procurement Plan will be updated at least annually or at lesser time intervals as required to reflect the actual project implementation needs and improvements in the institutional capacity.

### **Procurement of Works**

8. **Component A Improvement of secondary roads (US\$39 million):** This component will be implemented by MPW and will include two sub components. Sub component 1- Improvement to secondary roads (US\$34.3 million): Around 290 km, have been identified to be improved, by gravelling, Double Bituminous Surface Treatment (DBST), Hot mixed Asphalt overlay and several bridges. There will be around 28 contracts. The majority of the contracts (roads/bridges) are estimated to cost between US\$ 1.0m and US\$ 2.0m. All contracts will follow NCB procedures. The recipient shall use the SBD (small works) revised May 2007 customized to Afghanistan. All the contracts will be reflected in the procurement plan. MPW has already invited bids for seventeen contracts, while for the remaining survey and technical designs have been completed.

9. The other sub component is Project Implementation support consultancy split between component A and B.

10. **Component B Improvement of tertiary roads (US\$11 million equivalent):** This component will be implemented by MRRD and includes two sub components. Sub component 1- Improvements of tertiary roads (US\$9.34 m). There will be around 130 km of rural roads. There could be around 13 contracts, i.e. road works may be sliced and packaged to attract both small and medium contractors. Some contracts will be implemented by communities under community contracting procedures and will have minor engineering requirements. All contracts, except community projects, will be procured following NCB procedures. The recipient shall use the SBD (small works) revised May 2007 customized to Afghanistan. All the contracts will be reflected in the procurement plan. Community Participation shall be carried out in accordance with paragraph 3.17 of the procurement guidelines and the procedures set out in the Project Implementation Manual. MRRD has completed survey and technical designs of all the nine roads and four bridges.

11. The other sub component is Project Implementation support consultancy split between component A and B.

### **Procurement of Goods:**

12. Project will finance vehicles, computers, printers, scanners communication equipment, internet connectivity equipment, office equipment such as photocopy machines, fax machines, digital cameras, civil engineering equipment, engineering quality control equipment, software including software for project management and engineering design Depending on the nature of the goods, procurement methods such as ICB, NCB, Shopping and Direct Contracting procedures will be used. All contract estimated to cost US\$ 200,000 will be procured following NCB procedures shall follow ICB procedures. The contracts estimated to less than US\$ 200,000 and more than US\$ 100,000 shall .All contracts for goods estimated to cost less than US\$ 100,000 will be procured following shopping procedures in ac-

cordance with paragraph 3.5 of Bank's Procurement Guidelines. Off the shelf computer software and other goods meeting the requirements of paragraph 3. 6 of Bank's Procurement Guidelines shall be procured following Direct Contracting procedures with prior agreement with IDA independent of the value.

### **Selection of Consultants:**

13. The major TA contract to be financed under the grant is the Project Implementation Consultant's assignment to support both MRRD and MPW. The services of the IC has already been hired under IDA NEARP, however ARTF funds shall finance any spillover expenses. This arrangement has explicitly been indicated in IC's contract with both MRRD and MPW.

14. For other consultants assignment, short lists of consultants (firms) for services estimated to cost less than \$ 100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. For services exceeding US\$ 200,000 or more QBS/QCBS shall be used as appropriately and for services estimated to cost less than US\$ 200,000, QCBS, CQS, Least Cost Selection, Fixed Budget Selection may be used. Individual selection of consultants shall be in accordance with Section V of Bank's Guidelines for Selection of Consultants. Single Source Selection of Consultants for firms and individuals would be allowed with prior agreement with IDA.

### Staff Development:

15. The Grant will finance several study tours and in country workshops. Furthermore the grant will include training activities and a scholarship program for engineering.

### **Incremental Operational Costs**

16. Incremental operational costs would be financed by the project would be procured using the implementing agency's administrative procedures consistent with the current Afghanistan Procurement Law which were reviewed and found acceptable to the Bank.

### **Part B. Assessment of the agency's capacity to implement procurement.**

17. The staff of the proposed PIUs of MRRD/MPW has limited experience in handling IDA administered projects and the experience tends to be limited to procurement of civil works. These will constitute the main procurement activities under the proposed project.

18. A procurement capacity assessment of both the ministries was carried out by Deepal Fernando (Senior Procurement Specialist) during appraisal of IDA NERAP, and the findings are separately summarized below.

19. For the proposed project MRRD and MPW have agreed to: (i) minimize variations by carrying out proper surveys and designs. This will also prevent re-invitation of bids due to unrealistic estimates as seen under the on going project; (ii) allow more realistic time periods for completion of the works contracts with due consideration to contractor capacities, working season, security, and other constraints; (iii) complete bid evaluations within 30 days of bid opening; and (iv) reduce the number of members of the seven-member technical review committee constituted for review and approval system for bid evaluation report and contract award recommendations. Both the Ministries have already developed a price adjustment formula, and it is now operational under IDA NERAP.

20. Procurement under the proposed Project: (a) MPW: The PIU will delegate most of the implementation responsibility including technical/financial tasks, to the IC. The IC will manage a float ac-

count to ensure timely payments. The surveys and designs and procurement actions will be carried out at the central level by the respective divisions (survey, design of roads, design of bridges, contracts) and the nine, already established, regional offices will be responsible to carry out construction supervision. The IC will provide oversight to the respective divisions of MPW to assure quality. The IC will have a competent procurement specialist to assist in all procurement actions. The contract division is responsible for preparation of bidding documents, issuing the same and technical evaluations. A committee comprising of three members will be responsible to review the technical evaluation reports prepared by contracts unit and approve contract award recommendations. Currently the contract unit is equipped with one contracts officer and a contracts assistant. There are three vacancies in the unit for; (i) procurement assistant; (ii) contracts engineer (associate); and (iii) contracts member (clerk). These positions will be filled in the near future. Some contracts under the project have around 24 months of intended completion periods.

21. MRRD: The PIU will delegate most of the implementation responsibility including technical/financial tasks to the IC. The IC will manage the special account to ensure timely payments. The surveys will be carried out by staff at the regional offices. The IC will provide technical expertise including quality control aspects of surveys and design. The designs will be carried out by the design unit and are reviewed by a screening team consisting of three members. Following approval of the technical designs and the BOQ the documents are passed on to the contract unit. The contract unit is headed by a Senior Contract Engineer, two contract engineers and one contract admin assistant and a contractor registration officer. This unit maintains a contractor registration system for contractors in the road and building sector which has been developed by MRRD. This is now being used by MPW/UNOPS and other agencies. In addition a data base has been created by MRRD to carry out computerized unit rate analysis work items. The unit rates for different work items can be updated dynamically based on the current market rates of labor/machinery and, materials.

22. MRRD has a Procurement division headed by a Director. This unit is carrying out procurement, logistics and contracts for MRRD.

23. However in order to strengthen the capacity seminars and workshops are planned or have already been conducted. It is also planned to translate the Guidelines: Procurement under IBRD Loans and IDA Credits and Guidelines: Selection and Employment of Consultants by World Bank Borrowers in Dari.

24. The procurement risk at the level could be considered as “High”. In order to mitigate such high risks fiduciary safeguards including those related to procurement and social audit has been built in to the system and explained in the Project Implementation Manual (including sections on procurement and financial management).

### **Part C. Procurement Plan**

1. The Grant Recipient, at appraisal, has developed a Procurement Plan for project implementation which provides the basis for the procurement methods. This plan has been agreed between the Grant Recipient and the Project Team and is available. 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.

### **Part D. Frequency of Procurement Supervision**

2. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended one procurement review per year in the field to carry out post review of procurement actions and the compliance with the agreed procedures at

community level. As the overall project risk for procurement is high, therefore, the percentage of contracts to be post reviewed will be 20% or as the case maybe.

#### **Part E. Social Audit**

3. Institutional arrangements for social audit at the village level (CDC) or the Community Organization (CO) (contractor) as the case may be, will provide the framework needed to ensure that there are checks and balances and transparency in the procurement process including access to information related to procurement. The information related to procurement under the community contracts will be disseminated to the public. Such information will be provided in the notice board of the village mosque, CDC office/CO notice board. In addition the information is disclosed at large gathering of villagers at meetings. Experience has shown that social audit including participatory and transparent process is the most powerful tool to ensure the funds are used for the purposes intended.

4. IDA proposes to carryout procurement review/audit of 5 % of the community contracts.

## Attachment 1

### Details of the Procurement Arrangement involving International Competition

#### A Goods and Works and Non-Consulting Services

(a) List of contract Packages which will be procured following ICB and direct contracting:

1	2	3	4	5	6	7	8	9
Ref. No.	Contract (Description)	Estimated Cost US\$ (m)	Procurement Method	P-Q	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Bid-Opening Date	Comments
1	Miscellaneous including Computers, Printers and Survey equipment	0.150	NCB	NO	NO	Post Review	15-May-08	For MRRD.

(b) ICB/NCB Contracts for works estimated to cost above US\$500,000 equivalent per contract, for goods above US\$200,000 equivalent per contract and all direct contracting will be subject to prior review by the Bank. Communities may follow Direct Contracting procedures for sub projects in accordance with the project Implementation manual.

#### B. Consulting Services.

(a) List of Consulting Assignments with short-list of international firms/NGOs.

Ref. No.	Description of Assignment	Estimated Cost in US\$ (m)	Selection Method	Review by Bank (Prior / Post)	Expected Proposal Submission Date	Comments
<b>Firms</b>						
N/A	Implementation Consultant for MRRD and MoPW	5.30	NA	Prior	NA	Implementation Consultant has already been hired under IDA NERAP. ARTF will co finance cost of IC

(b) Consultancy services estimated to cost above \$100,000 or equivalents per contract and all Single Source selection of consultants and estimated to cost US\$ 50,000 for individual for assignments will be subject to prior review by the Bank.

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

## Procurement Plan

### A General

**A1 Project information:**

Country: Afghanistan  
 Recipient: Islamic Republic of Afghanistan  
 Project Name: National Emergency Rural Access Project  
 Project Implementing Agency: MRRD & MoPW

**A2 Bank's approval Date of the procurement Plan:** April 2009

**A3 Date of General Procurement Notice:** December 26, 2006

**A4 Period covered by this procurement plan:** 18 Months

### B. Goods and Works and non-consulting services.

**B1 Prior Review Threshold:** Procurement Decisions subject to Prior Review by the Bank as stated in Appendix 1 to the Guidelines for Procurement:

	Procurement	Prior Review Threshold (\$)	Comments
1.	Goods	200,000 Equivalent or more	
2.	Works	500,000 Equivalent or more	
3.	Direct Contracting (Goods and Works)	All	Other than community contracting
4	Community Contracts		

**B2 Reference to (if any) Project Operational/Procurement Manual:** IDA

**B3 Any Other Special Procurement Arrangements:**

**B4 Procurement Packages with Methods and Time Schedule**

[List the Packages which require Bank's prior review first and then the other packages]

### Procurement Plan

The procurement arrangements that apply to the US\$ 50 million ARTF additional funding will be identical to those applicable to the US\$ 112 million IDA financing approved by the IDA Board of Directors in December 2007 (Project P103343) and the provisions of Report T7704-AF apply to this Annexure. All new procurement under this ARTF funding will be carried out in accordance with the "Guidelines for Procurement under IBRD Loans and Credits-May 2004 revised October 2006" and "Guidelines for Selection and Employment of Consultants by World Bank borrowers-May 2004 revised October 2006". Procurement of goods, works and services will follow IDA approved/standard documents.

Consultancies will be small value individual contracts, up to a maximum of US\$ 2,000 each, and will primarily be used to hire engineers to help with technical designs or surveys of the sub-projects. The above tables will be revised or updated every 6 months to reflect the actual contracts made.

### MRRD Procurement Plan for Works (Phase-1)

S #	Province	District	Ref. No	Contract (Description)	Estimated Cost (US\$)	Length of road (km)	Procurement Method	Pre-qualification (yes/no)	Domestic Preference	Review By the Bank (Prior/post)	Expected Bid Opening Date	Comments
1	Nangarhar	Hesarak	RRD/TF/NERAP/EAST/NGR/024/C2/010	Construction of 60 meter Bridge Structure	300,000		NCB	No	No	Post Review	1-Jul-2009	Technical survey is completed. Bid Docs under preparation
2	Kabul	Khak Jabar	RRD/TF/NERAP/KBL/KBL/025/C2/001	Mabast Poilicharkhi to Darband Construction of Drainage Structures and DBST Road (19km from chainage 0+000 to 19+000)	1,613,182	19	NCB	No	No	Prior Review	4-Jul-2009	Technical survey is completed. Bid Docs under preparation
3	Kabul	Bagrami	RRD/TF/NERAP/KBL/KBL/026/C2/001	Beni Hisar to Qali' Khandar Drainage Structure and DBST Road (15 km from Chainage 0+000 to 15+000)	1,350,000	15	NCB	No	No	Prior Review	7-Jul-2009	Technical survey is completed. Bid Docs under preparation
4	Parwan	Salang	RRD/TF/NERAP/KBL/PRN/009/C2/001	Puli Regzar to Lalma Village, Construction of 18km of Gravel road and 40 meter bridges (from ch 0+000 to 18+000)	830,000	18	NCB	No	No	Prior Review	11-Jul-2009	Technical survey is completed. Bid Docs under preparation
5	Panjasher	Rakha	RRD/TF/NERAP/KBL/PJR/007/C2/001	Main road to Darkhail related villages, Construction of 9.5km of Gravel road and construction of 40 meter bridges (from ch 0+000 to 9+500)	532,500	10	NCB	No	No	Prior Review	14-Jul-2009	Technical survey is completed. Bid Docs under preparation
6	Kunduz	Qal-i-Zal	RRD/TF/NERAP/NRHE/KNZ/014/C2/001	Aqtapa village to Halqa kol village, Construction of 10km of Gravel road and drainage structures( from ch 0+000 to 10+000)	350,000	10	NCB	No	No	Post Review	18-Jul-2009	Technical survey is completed. Bid Docs under preparation
7	Bamyan	Waras	RRD/TF/NERAP/CHL/BMN/005/C2/001	Construction of 30m long RCC Bridge in Dobradaran Village, Waras District	150,000		NCB	No	No	Post Review	21-Jul-2009	Technical survey is completed. Bid Docs under preparation
<b>Total Works MRRD with out contingency:</b>					<b>5,125,682</b>							
<b>Contingency (10% works budget):</b>					<b>474,318</b>							
<b>Total with Contingency:</b>					<b>5,600,000</b>	<b>72</b>						

## MRRD Procurement Plan for Works (Phase-2)

S #	Province	District	Ref. No	Contract (Description)	Estimated Cost (US\$)	Road Length (km)	Procurement Method	Pre-qualification (yes/no)	Domestic Preference	Review By the Bank (Prior/post)	Expected Bid Opening Date	Comments
1	Kabul	Farza	RRD/TF/NERAP/KBL/KBL/027/C2/001	Main Road to Farza center, construction of 12km DBST road (from Ch,0+000 to 12+000)	1,080,000	12	NCB	No	No	Prior Review	3-Aug-2009	Technical survey is completed. Bid Docs under preparation
2	Kabul	Soroby	RRD/TF/NERAP/KBL/KBL/027/C2/002	Soroby District to Jigdalik village, construction of 22 km road and drainage structure (from Ch, 0+000 to 22+000)	990,000	22	NCB	No	No	Prior Review	20-Aug-09	Technical survey is completed. Bid Docs under preparation
3	Kapisa	Nijrab	RRD/TF/NEPRA/KBL/KP/A/C2/008	Deh Qazi to Ayar Khail Village, Construction of 13.5 km Gravel Road and Drainage Structures (from chainage 0+000 to 13.500)	607,500	14	NCB	No	No	Prior Review	6-Aug-2009	Technical survey is completed. Bid Docs under preparation
4	Logar	Baraki Barak	RRD/TF/NERAP/KBL/LG/R/005/C2/001	Construction of Akhunda 30m span RCC bridge Barakibrak District	150,000		NCB	No	No	Post Review	9-Aug-2009	Technical survey is completed. Bid Docs under preparation
5	Takhar	Center	RRD/TF/NERAP/NRHE/TKR/014/C2/001	Construction of 50m long Shera Bridge, center of Takhar province	250,000		NCB	No	No	Post Review	12-Aug-2009	Technical survey is completed. Bid Docs under preparation
6	Balkh	Charkint	RRD/TF/NERAP/NTH/BLH/005/C2/001	Charkint district center to Shor Bolaq village, Construction of 9 km gravel wearing course and drainage structures (from Ch, 0+000 to 9+000)	415,000	9	NCB	No	No	Post Review	16-Aug-2009	Technical survey is completed. Bid Docs under preparation
<b>Total Works MRRD with out contingency:</b>					<b>3,492,500</b>							
<b>Contingency (10% works budget):</b>					<b>247,500</b>							
<b>Total with Contingency:</b>					<b>3,740,000</b>	<b>57</b>						

### MPW Procurement Plan for Works (Phase-1)

Sr. No.	Contract No	Sub-project Title	Province	Length Km	Surface Option	Estimate Cost in USD	Procurement Method	Post/Prior Review Status	Bid Opening Date	Status
1	MPW/WB/NERAP/BKN/BKN/023/C2/001	Rehabilitation of Road From Bagh-e-Mubarak to Baharak via khash Jurm (Phase 1 ) (Lot 1) Ch 0+000 - Ch - 4+000	Badakhshan	4.00	DBST	1,177,0780	NCB	Prior review	09-Sep-08	Awarded
1,2	MPW/WB/NERAP/BKN/BKN/023/C2/002	Rehabilitation of Road From Bagh-e-Mubarak to Baharak via khash Jurm (Phase 1 ) (Lot 2) Ch 4+000 - Ch 9+000	Badakhshan	5.00	DBST	1,168,232	NCB	Prior review	09-Sep-08	Awarded
1,3	MPW/WB/NERAP/BKN/BKN/023/C2/003	Rehabilitation of Road From Bagh-e-Mubarak to Baharak via khash Jurm (Phase 1 ) (Lot 3) Ch 9+000 - Ch 16+000	Badakhshan	7.00	DBST	971,830	NCB	Prior review	09-Sep-08	Awarded
1,4	MPW/WB/NERAP/BKN/BKN/024/C2/001	Rehabilitation of Road From Bagh-e-Mubarak to Baharak via khash Jurm (Phase 2 ) (Lot 1) Ch 16+000 - Ch 24+000	Badakhshan	8.00	DBST	1,067,920	NCB	Prior review	22-Sep-08	Awarded
1,5	MPW/WB/NERAP/BKN/BKN/024/C2/002	Rehabilitation of Road From Bagh-e-Mubarak to Baharak via khash Jurm (Phase 2 ) (Lot 2) Ch - 24+000 Ch 31+000	Badakhshan	7.00	DBST	1,028,224	NCB	Prior review	22-Sep-08	Awarded
2,6	MPW/WB/NERAP/BKN/BKN/024/C2/003	Rehabilitation of Road From Bagh-e-Mubarak to Baharak via khash Jurm (Phase 2 ) (Lot 3) Ch Ch 31+000 - Ch 35+860	Badakhshan	4.86	DBST	1,301,614	NCB	Prior review	22-Sep-08	Awarded
1,7	MPW/WB/NERAP/BKN/BKN/007/C2/001	Rehabilitation of Road from Bagh-e-Mubarak to via Khash Jurm Baharak District Center (Phase 3) (Lot 1) Ch 35+860 - Ch 53+500	Badakhshan	17.64	DBST	1,380,435	NCB	Prior review	23-Sep-08	Awarded
2	MPW/WB/NERAP/BKN/BKN/025/C2/001	Rehabilitation of Road From Fayzabad to Kofab (Yaftal) Phase 1 (Lot 1)	Badakhshan	9.00	Gravel	561,613	NCB	Prior review	30-Apr-09	Under Tender
2,1	MPW/WB/NERAP/BKN/BKN/025/C2/002	Rehabilitation of Road From Fayzabad to Kofab (Yaftal) Phase 1 (Lot 2)	Badakhshan	7.00	Gravel	906,835	NCB	Prior review	30-Apr-09	Under Tender
2,2	MPW/WB/NERAP/BKN/BKN/025/C2/003	Rehabilitation of Road From Fayzabad to Kofab (Yaftal) Phase 1 (Lot 3)	Badakhshan	4.00	Gravel	817,552	NCB	Prior review	30-Apr-09	Under Tender
2,3	MPW/WB/NERAP/BKN/BKN/036/C2/001	Rehabilitation of Road From Fayzabad to Kofab (Yaftal) Phase 2 (Lot 1)	Badakhshan	10.00	Gravel	2,450,185	NCB	Prior review	30-Apr-09	Bid Preparation
2,4	MPW/WB/NERAP/BKN/BKN/036/C2/002	Rehabilitation of Road From Fayzabad to Kofab (Yaftal) Phase 2 (Lot 2)	Badakhshan	10.00	Gravel	2,306,939	NCB	Prior review	30-Apr-09	Bid Preparation

2,5	MPW/WB/NERAP/BKN/BKN/036/C2/003	Rehabilitation of Road From Fayzabad to Kofab (Yaftal) Phase 2 (Lot 3)	Badakhshan	9.00	Gravel	1,134,364	NCB	Prior review	30-Apr-09	Bid Preparation
3	MPW/WB/NERAP/NTH/JWN/015/C2/001	Rehabilitation of Road From Shibirghan to Darzab (Lot 1)	Jowzjan	10.00	Gravel	607,179	NCB	Prior review	07-Sep-08	Awarded
3,1	MPW/WB/NERAP/NTH/JWN/015/C2/002	Rehabilitation of Road From Shibirghan to Darzab (Lot 2)	Jowzjan	10.00	Gravel	585,594	NCB	Prior review	07-Sep-08	Awarded
3,2	MPW/WB/NERAP/NTH/JWN/015/C2/003	Rehabilitation of Road From Shibirghan to Darzab (Lot 3)	Jowzjan	9.00	Gravel	747,389	NCB	Prior review	07-Sep-08	Awarded
3,3	MPW/WB/NERAP/NTH/JWN/015/C2/004	Rehabilitation of Road From Shibirghan to Darzab (Lot 4)	Jowzjan	9.42	Gravel	595,857	NCB	Prior review	07-Sep-08	Awarded
4	MPW/WB/NERAP/STHE/PKY/044/C2/001	Rehabilitation of Road From Kotal Gawy to Kotal Surki Phase one	Paktiya	20.00	Gravel	1,471,557	NCB	Prior review	09-Sep-08	Awarded
<b>Sub-Total (Phase-1) without contingencies</b>				<b>141</b>		<b>20,280,400</b>				
<b>Contingencies</b>						<b>299,600</b>				
<b>Sub-Total (Phase-1) with contingencies</b>						<b>20,580,000</b>				

### MPW Procurement Plan for Works (Phase-2)

Sr. No.	Contract No	Sub-project Title	Province	Length Km	Surface Option	Estimate Cost in USD	Procurement Method	Post/Prior Review Status	Bid Opening Date	Status
4,2	MPW/WB/NERAP/STHE/PKY/040/C2/001	Rehabilitation of Road From Kotal Gawy to Kotal Surki Phase 2	Paktiya	10.00	Gravel	1,754,061	NCB	Prior review	30-Apr-09	Bid Preparation
4,3	MPW/WB/NERAP/STHE/PKY/044/C2/004	Rehabilitation of Road from Kotal Surki to Kotal Gawy Phase 3	Paktiya	13.11	Gravel	750,000			09-Sep-08	Awarded
5	MPW/WB/NERAP/NRHE/TKR/034/C2/001	Rehabilitation of Road From Bangi to Ishkamish Phase One (Lot 1)	Takhar	12.00	Gravel	1,142,173	NCB	Prior review	03-Sep-08	Awarded
5,1	MPW/WB/NERAP/NRHE/TKR/034/C2/002	Rehabilitation of Road From Bangi to Ishkamish Phase One (Lot 2)	Takhar	12.00	Gravel	1,534,520	NCB	Prior review	03-Sep-08	Awarded
5,2	MPW/WB/NERAP/NRHE/TKR/030/C2/001	Rehabilitation of Road From Bangi to Ishkamish Phase Two (Lot 1)	Takhar	13.00	Gravel	1,424,964	NCB	Prior review	30-Apr-09	Under Tender
5,3	MPW/WB/NERAP/NRHE/TKR/030/C2/002	Rehabilitation of Road From Bangi to Ishkamish Phase Two (Lot 2)	Takhar	14.12	Gravel	1,099,737	NCB	Prior review	30-Apr-09	Under Tender
6	MPW/WB/NERAP/SOUTH/KNR/038/C2/001	Rehabilitation of road from Shekarpur Darwaza to Panjwai district Road (Part-B), Ch. 7+000 ~ Ch. 18+000 Km	Kandahar	11.00	Asphalt	1,356,399	NCB	Prior review	30-Apr-09	Under Re-Tender
6,1	MPW/WB/NERAP/SOUTH/KNR/038/C2/002	Rehabilitation of Road from Shekarpur Darwaza to Panjwai district Road (Part-C),	Kandahar	11.52	Asphalt	1,396,611	NCB	Prior review	30-Apr-09	Under Re-Tender

		Ch. 18+000 ~ Ch. 29+520 Km								
7	MPW/WB/NERAP/WEST/HRT/005/C2/001	Rehabilitation of Road From Zyarat Jah to Hirat City	Herat	12.05	DBST	1,478,336	NCB	Prior review	30-Apr-09	Under Tender
8	MPW/WB/NERAP/NRHE/BGN/008/C2/001	Baghlan Jadid to Nahrin District Burka District (Lot 1)	Baghlan	20.00	DBST	1,682,617	NCB	Prior review	30-Apr-09	Bid Preparation
<b>Sub-Total (Phase-2) without contingencies</b>				<b>129</b>		<b>13,619,418</b>				
<b>Contingencies</b>						<b>100,582</b>				
<b>Sub-Total (Phase-2) with contingencies</b>						<b>13,720,000</b>				

## **D Implementing Agency Capacity Building Activities with Time Schedule**

**D1.** In this section the agreed Capacity Building Activities. In addition to the program conducted by IDA, it is proposed that MRRD/NSP staff involved in the procurement activities of the MRRD/NSP to be nominated to participate at international level training programs for goods/works and consulting services.

<b>No.</b>	<b>Expected outcome /Activity Description</b>	<b>Estimated Cost</b>	<b>Estimated Duration</b>	<b>Start Date</b>	<b>Comments</b>
1	Training in Procurement of civil works (one each from MRRD/MPW)	20,000	Three weeks	TBD	
2					

## **D2 Agreed Procedures for National Competitive Bidding**

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Procurement Guidelines, the following criteria shall be followed in procurement under National Competitive Bidding procedures:

- (i) Standard bidding documents approved by the World Bank shall be used.
- (ii) 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.
- (iii) Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.
- (iv) Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- (v) Foreign bidders shall not be precluded from bidding.
- (vi) 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.
- (vii) Bidders may deliver bids, at their option, either in person or by courier service or by mail.
- (viii) 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..
- (ix) Bids shall be opened in public in one place preferably immediately, but no later than one hour, after the deadline for submission of bids.
- (x) 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 Association.
- (xi) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the World Bank.
- (xii) 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 World Bank;

(xiii) 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.

(xiv) Extension of bid validity shall not be allowed without the prior concurrence of the World 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.

(xv) Negotiations shall not be allowed with the lowest evaluated or any other bidders.

(xvi) Re-bidding shall not be carried out without the World Bank's prior concurrence; and

(xvii) 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

## Appendix-6: Financial Management Arrangements

### Country Issues

1. The Bank has gained substantial experience and understanding of the financial management environment in Afghanistan through the large number of projects under implementation over the past four years. The Public Administration Capacity Building Project (PACBP) is the primary instrument to continue and enhance the fiduciary measures put in place during the past years to help ensure transparency and accountability for the funding provided by the Bank and other donors.
2. A PFM performance rating system using 28 high-level indicators that was developed by the Public Expenditure and Financial Accountability (PEFA) multi-agency partnership program was applied in Afghanistan in June 2005. PEFA is comprised of the World Bank, IMF, EC, and several other agencies. The system is structured around six core dimensions of PFM performance: i) budget credibility, ii) comprehensiveness and transparency, iii) policy-based budgeting, iv) predictability and control in budget execution, v) accounting, recording, and reporting, and vi) external scrutiny and audit. Afghanistan's ratings against the PFM performance indicators generally portray a public sector where financial resources are, by and large, being used for their intended purposes. This has been accomplished with very high levels of support from international firms; this assistance will continue to be needed over the medium term if these ratings are to be maintained. There is also much room for improvement.
3. In spite of undeniable gains made in reconstruction since the end of 2001, the challenges facing Afghanistan remain immense; not least because of the tenuous security situation in the region and continued prevalence of a large illegal and illicit economy. The policy framework benchmarks have not yet been fully costed so various priorities are funded through the annual budgeting process. The rising costs of the security sector constitute the major constraint on attainment of fiscal sustainability. With regard to executive oversight, the national assembly will play an increasingly active role. All in all, the new national strategy has created high expectations of the executive which could prove to be quite difficult to meet.
4. The public sector, in spite of considerable efforts to reform its core functions, remains extremely weak outside of Kabul. The lack of qualified staff in the civil service and the absence of qualified counterparts in the government after 30 years of war and conflicts is a binding constraint. Delays in reforming the pay structure and grading of civil servants have severely crippled the public administration of the country. Domestic revenues lag behind expenditures by a factor of ten to one. Large-scale corruption could emerge to undermine the government's efforts to enhance aid flows through national accounts. Capacities to track expenditures and monitor expenditure outcomes have improved, but they need rapid and substantial strengthening if progress toward the attainment of national development targets is to be monitored. Currently, 75% of external revenues bypass government appropriation systems.
5. The World Bank is financing a Financial Management Advisor to assist the Ministry of Finance, an Audit Advisor to assist the Control and Audit Office, and a Procurement Advisor to assist in Procurement-related activities. Also an Internal Audit function is being developed within the Ministry of Finance with World Bank financing. USAID, and earlier the Indian Aid Assistance Program, is financing a team of consultants and advisors to assist the Da Afghanistan Bank in local as well as foreign currency operations. The activities carried out under the existing Public Administration projects have helped the Government to ensure that appropriate fiduciary standards are maintained for public expenditures, including those supported by the Bank and the donor community.
6. Progress has been slower than expected in shifting from operations support provided by the three Advisors to capacity development and knowledge transfer to the civil servants. Given that, is expected that the Advisors will continue to be required for the medium term. Challenges still remain in attaining the agreed upon fiduciary standards and also to further enhance them. And to make matters more

complex, the regulatory environment in Afghanistan has advanced significantly in the past three years. Unfortunately, even mastery of basic skills in the early environment does not fully qualify the civil servants to work effectively in the new emerging environment.

### **Risk Assessment and Mitigation**

7. The table below identifies the key risks that the project may face and indicates how these risks are to be addressed. The overall FM risk rating is high but the residual risk rating after application of the mitigating measures is substantial.

<i><b>Risk</b></i>	<i><b>Risk Rating</b></i>	<i><b>Risk Mitigation Measures</b></i>		<i><b>Condition of negotiations, MC Approval or Effectiveness (Y/N)</b></i>
<b>Inherent Risk</b>				
Country Inherent Risk	M	Source - PFM study	M	N
Project Financial Management Risk	H	Minimize use of Designated Account, maximize direct payments to consultants; key fiduciary functions to be performed by an Implementation Consultant	S	N
Perceived Corruption	H	Government commitment, internal controls and new internal audit will help to reduce the high level of perceived corruption	S	N
<i><b>Overall Inherent Risk</b></i>	<b>H</b>		<b>S</b>	
<b>Control Risk</b>				
1. Weak Implementing Entity	S	Utilization of the services of an Implementation Consultant.  Presence of qualified and experienced professionals in MRRD and MPW to support the implementation of the non-works activities. Setting up of a National Coordination Unit that will be responsible for overall project/program coordination. This unit will be headed by a full time and qualified project administrator.  Oversight functions to be performed by an inter-ministerial Steering Committee, chaired by the Minister of Finance.	M	N

2. Funds Flow	S	Payments will be made to consultants, Suppliers, etc. from the Designated Account (DA) by SDU-MoF or from the Float Account (FA) for those activities managed/supervised by the IC. In addition to payments out of DA funds, the implementing entities can also request the SDU to make i) direct payments from the Credit Account to contractors, consultants or consulting firms, and ii) special commitments for contracts covered by letters of credit. These payments would only be made by SDU after due processes and proper authorization from the respective component implementing entities.	M	N
3. Budgeting	S	A budget committee will be appointed to coordinate the preparation of annual work plan and the derivation of annual budget there from. It will include representatives from MRRD, MPW, NCU and the IC, and shall report to the inter-ministerial Steering Committee.	M	N
4. Accounting Policies and Procedures	S	Will follow international standards. Project accounting procedures and details of the FM arrangements will be documented in an FM sub-manual to be prepared by the IC and approved by the Bank	M	N
5. Internal Audit	H	Newly-created internal audit department will review project internal control systems	S	N
6. External Audit	H	Will be audited by CAO with support from Audit Advisor	S	N
7. Reporting and Monitoring	H	Strengthening the SDU is a priority under the new FM Advisor contract, to provide information that will comply with agreed format of financial reports.	S	N

		This will be facilitated by the computerized accounting system that will be utilized by the Implementation Consultant to maintain records and generate required reports.		
<b>Overall Control Risk</b>	<b>H</b>		<b>S</b>	
<b>Detection Risk</b>	<b>S</b>	Adequate accounting, recording, and oversight will be provided in project procedures. Accounting/Recording/oversight by SDU – MoF of all advances/M-16 supported by Financial Management Advisor.	<b>M</b>	<b>N</b>
<b>Risk rating: H=high risk; S=substantial risk; M=modest risk; L-low risk</b>				

## Strengths and Weaknesses

### *Strengths*

8. The Government provides assurance to the Bank and other donors that the measures in place to ensure appropriate utilization of funds will not be circumvented. The Government support for PACBP is strength in itself to enhance financial management in Treasury operations, public procurement, internal audit in the public sector, and external audit by the Auditor General. A specific strength of the project is that this is a follow-up project, and that it already has a number of mechanisms in place which will significantly reduce the financial risks associated with a large national program.

### *Weaknesses and Action Plan*

9. The main weakness in this project, as in many others in Afghanistan, is the ability to attract suitably qualified and experienced counterpart staff especially for Financial Management. The utilization of an Implementation Consultant, additional staff to be funded by the project, together with intensive training programs included in this project, is expected to strengthen the fiduciary arrangements.

### **Action Plan**

<b>Significant Weaknesses</b>	<b>Action</b>	<b>Responsible Agent</b>	<b>Completion Date</b>
Shortage of qualified and experienced FM staff	Appointment of an Implementation Consultant.	MRRD & MPW	IC is already hired under IDA NERAP
Project internal controls and procedures need to be defined	Financial Management sub-manual developed	Implementation Consultant	Under preparation by the IC, expected to be completed by end July 2009
Interim reports need to	Un-audited interim fi-	IDA/MoF/MRRD/MPW	Completed

Significant Weaknesses	Action	Responsible Agent	Completion Date
include required information	financial report formats confirmed		

### Implementing Entity

10. The project will be implemented by the Ministry of Public Works and the Ministry of Rural Rehabilitation and Development. Both implementing line ministries will utilize the same Implementation Consultant to perform the key financial management functions, however, at mid-term review, Bank will assess the capacity of the finance department of both ministries, and if found satisfactory, they will assume full responsibility of the financial management functions. In order to achieve this aim, the FM capacity of both ministries would be strengthened from project inception, by the recruitment of relevant FM professionals, regular training and provision of required FM system.

11. *Project oversight.* An interministerial Steering Committee (SC), chaired by the Minister of Finance (or his representatives) and comprising ministers (or their delegates) of Public Works, Rural Rehabilitation and Development and sectoral ministries involved as the main beneficiary ministries in the project (agriculture, basic education, health), will be responsible for the overall policy, strategic planning and project oversight and for integration with other rural development programs. Observers such as local authorities, donors, financing agencies representatives and experts would be invited to attend the SC as required. The SC will meet regularly, at least once per semester and on an ad hoc basis when required. To facilitate the work of the SC a small secretariat will be put in place at the Ministry of Finance that would be responsible for coherence with the NERAP program and for reporting to the government and the donors involved in the sector. The SC has already been constituted and is meeting regularly.

12. *Project coordination and monitoring.* Given the emergency nature of the project, the strategic importance of the project, initial step to a larger program, the large number of activities, to be completed within a short time frame, and the still limited capacity of the government on coordination and monitoring aspects, the following institutional arrangements have been agreed to ensure that funds disburse quickly, multisectoral objectives are reached, and absolute transparency is maintained.

13. A small and efficient national coordination unit (NCU) has been set up by ministerial decree within the Ministry of Finance and is responsible for overall coordination of the entire NERAP project and program. The NCU in particular is mandated to ensure donor coordination which will be a key element of a sustainable and smooth multi year programmatic approach. It is headed by a full-time project administrator who is responsible for day-to-day coordination of the project. The NCU works in coordination with the concerned departments and/or the Program Implementation Unit (PIU) in MPW and MRRD and the other relevant ministries and agencies involved in rural development. It has the main function of monitoring and evaluation of the overall project implementation and reporting consolidated progress to the SC. It is also responsible for (a) assuring steady progress of execution in accordance to an implementation schedule reviewed and approved by the World Bank, (b) regular reporting to the SC, (c) monitoring implemented activities included in the contracts of the international implementation consultant (IC) and capacity building consultant (CBC) to ensure adequate and smooth transfer of skills to the national staff, and (d) ensuring that a high ethical standard and transparency is maintained throughout the process.

14. To ensure better coordination, a Technical Committee chaired by the NCU and composed of the focal points of beneficiary ministries and implementing bodies (IC and PIU in the case of MPW, DRR and IC in the case of MRRD) has been setup. The Coordination Committee meets on a regular basis and at least monthly in order to ensure adequate technical coordination and communication between ministries and implementing entities at the implementation level.

15. The Implementation Consultant shall have qualified and experienced financial management staff, and will work closely with the Director of Finance, MRRD and the Director of Planning, MPW to carry out day-to-day financial management operations of the project, preparation of M-16 forms (payment orders), project coding sheet, B27 allotment form and overall contract and project management. Detailed working relationships between the IC and MRRD/MPW finance departments, IC's FM reporting requirements, staffing, systems and other FM arrangements will be included in the IC's contract.

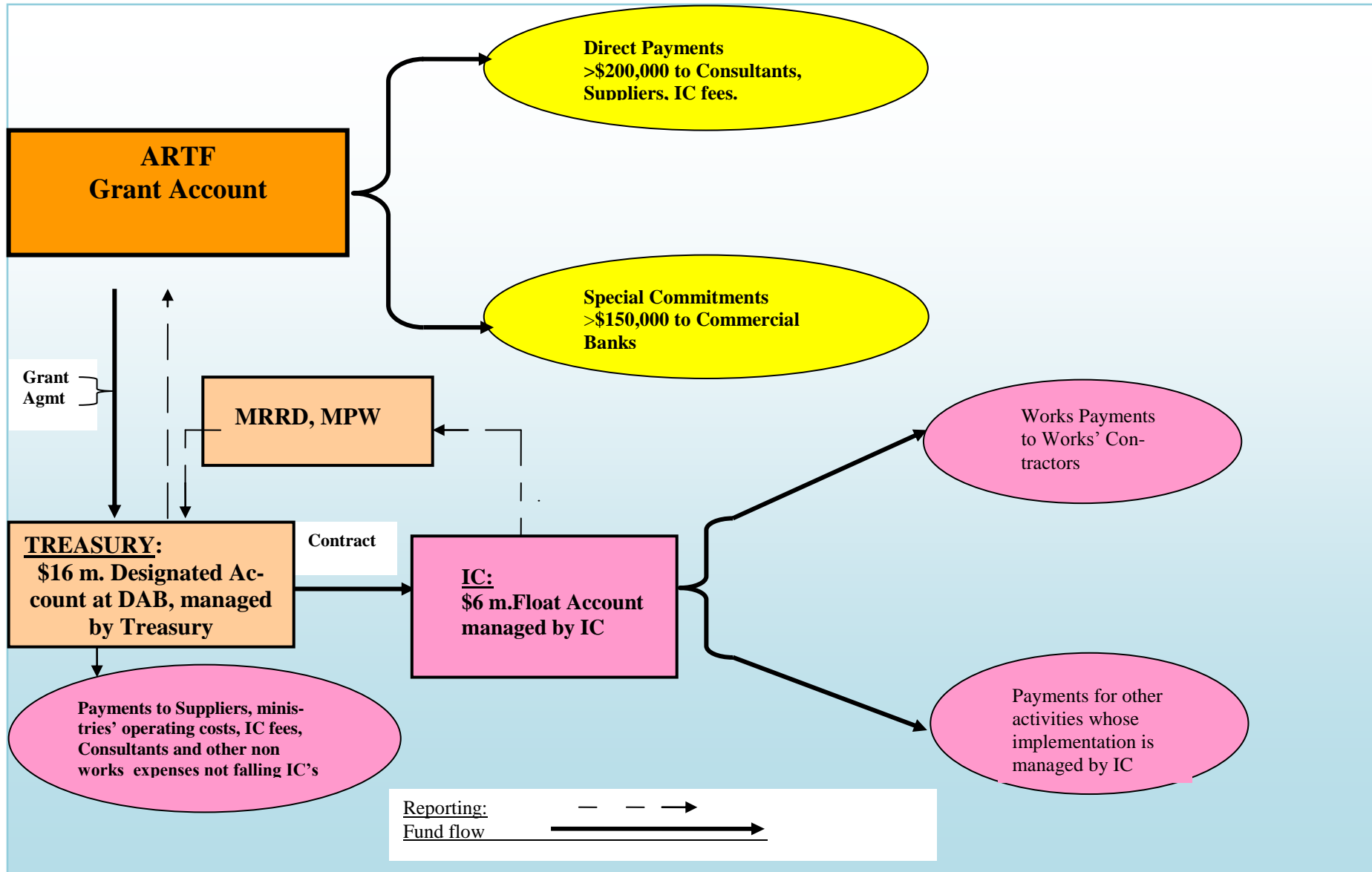
### **Budgeting**

16. A budget committee will be appointed to coordinate the preparation of annual work plan and the derivation of annual budget. This committee will be made up of representatives from the MRRD, MPW, NCU and the IC, and shall report to the inter-ministerial Steering Committee. The Budget Committee shall also coordinate quarterly budget reviews to ensure adequate budget discipline and control. The committee will be responsible for ensuring that project expenditures for each fiscal year are captured in the Governmental Development budget of that fiscal year. The MRRD and MPW must get approvals from the presidential office and the parliament and attach them to B27 and PCS forms at the time of requesting yearly allotments for contracts under the project to avoid delays in payment processing.

### **Funds Flow**

17. The standard funds flow mechanism in Afghanistan, similar to other ongoing projects, will be followed in this project. Project funds may be advanced to the Designated Account (DA) to be opened at the Da Afghanistan Bank (DaB) and operated by the Special Disbursement Unit (SDU) in the Treasury Department of MoF. Requests for payments from the DA will be made to the SDU by the MRRD and MPW when needed. From the DA an advance of not more than US\$ 6million will fund a 'float account' (FA) to be managed by the IC and from which payments will be made for all activities and works supervised by the IC. The IC will open a separate float account from the one already opened for IDA NERAP.

### FUND OF FLOW CHART



## **Legal requirements for authorized signature**

18. Ministry of Finance has authorization to disburse funds from the Grant, specimen signatures of authorized signatories in MoF are already on file with the Bank.

## **Accounting**

19. The SDU will maintain a proper accounting system of all expenditures incurred along with supporting documents to enable IDA to verify these expenditures. The FM staff of the IC, MPW and MRRD will: i) supervise preparation of supporting documents for expenditures, ii) prepare payment orders (Form M16), iii) obtain approval for M-16s by the Minister or Deputy Minister depending on the payment amount, and iv) submit them to the Treasury Department in MoF for verification and payment. Whilst original copies of required supporting documents are attached to the Form M16, the project is required to make and keep photocopies of these documents for records retention purposes. The FM Advisor in the MoF/SDU will use the government's computerized accounting system, AFMIS, for reporting, generating relevant financial statements, and exercising controls.

20. The IC, MRRD and MPW FM staff will maintain essential project transaction records using computerized accounting system/Excel spreadsheets and generate required monthly, quarterly, and annual reports.

21. The IC is supposed to prepare the FM sub-manual under IDA NERAP. The same shall also be applicable to the proposed project. This will include: i) roles and responsibilities for all FM staff, ii) documentation and approval procedures for payments, iii) project reporting requirements, and iv) quality assurance measures to help ensure that adequate internal controls and procedures are in place and are being followed.

22. The FM sub-manual will also establish project financial management in accordance with standard Afghan government policies and procedures including use of the government Chart of Accounts to record project expenditures. The use of these procedures will enable adequate recording and reporting of project expenditures. Overall project accounts will be maintained centrally in SDU, which will be ultimately responsible for recording of all project expenditures and receipts in the Government's accounting system. Reconciliation of project expenditure records with MoF records will be carried out monthly by the IC together with MRRD and MPW.

## **Internal Control & Internal Auditing**

23. Project-specific internal control procedures for requests and approval of funds will be described in the FM sub manual including segregation of duties, documentation reviews, physical asset control, and cash handling and management.

24. The Head of the FM Department of MRRD and MPW will be responsible for coordinating FM activities of their respective project components with the SDU.

25. Annual project financial statements will be prepared by SDU/MoF detailing activities pertaining to the project as separate line items with adequate details to reflect the details of expenditures within each component.

26. The project financial management systems will be subject to review by the newly-established internal audit directorate of the MoF, according to programs to be determined by the Director of Internal Audit using a risk-based approach.

### **External Audit**

27. The project accounts will be audited by the Auditor General, with the support of the Audit Advisor, with terms of reference satisfactory to the Association. The audit of the project accounts will include an assessment of the: (a) adequacy of the accounting and internal control systems; (b) ability to maintain adequate documentation for transactions; and (c) eligibility of incurred expenditures for Association financing. The audited annual project financial statements will be submitted within six months of the close of fiscal year. All agencies involved in implementation and maintaining records of expenditures would need to retain these as per the IDA records retention policy.

28. The following audit reports will be monitored each year in the Audit Reports Compliance System (ARCS):

<b>Responsible Agency</b>	<b>Audit</b>	<b>Auditors</b>	<b>Date</b>
MoF, supported by Special Disbursement Unit	SOE, Project Accounts and Designated Account	Auditor General	Sep 22

29. The related projects, NEEP, NEEPRA and IDA NERAP have no over due audit reports; key issues raised in these projects previous audit reports have been resolved satisfactorily.

### **Financial Reporting**

30. Financial Statements and Project Reports will be used for project monitoring and supervision. Based upon the FM arrangements of this project Financial Statements and Project Reports will be prepared monthly, quarterly, and annually by the IC together with MRRD and MPW. These reports will be produced based on records kept on the IC's computerized accounting system and MRRD/MPW's Excel spreadsheets after due reconciliation to expenditure statements from SDU (as recorded in AFMIS) and bank statements from DAB.

31. The quarterly Project Reports will show: (i) sources and uses of funds by project component, and (ii) expenditures consolidated and compared to governmental budget heads of accounts, the project will forward the relevant details to SDU/DBER with a copy to IDA within 45 days of the end of each quarter. The government and IDA have agreed on a pro forma report format for all Bank projects; including a customized format for NERAP.

32. The annual project accounts to be prepared by SDU from AFMIS after due reconciliation to records maintained at the project, will form part of the consolidated Afghanistan Government Accounts for all development projects. This is done centrally in the Ministry of Finance Treasury Department, supported by the Financial Management Advisor.

## Disbursement Arrangements

33. Disbursements procedures will follow the World Bank procedures described in the *World Bank Disbursement Guidelines and the Disbursement Handbook for World Bank Clients (May 2006)*. Table 1 shows the allocation of IDA proceeds in a single, simplified expenditure category and Table 2 presents the expected co-financing. The single category for “goods, works, consultancy services, training, and operating costs” is defined in the financing agreement. Project funds will be disbursed over 36 months. A final disbursement deadline will be set at four months after the closing date.

34. During this additional 4-month grace period, project-related expenditures incurred prior to the closing date are eligible for disbursement.

**Table 1: ARTF Financing by Category of Expenditure (US\$ million)**

### Phase-1 (Current proposal)

Expenditure Category	Amount of the Grant Allocations (US\$)	Financing Percentage (including taxes)
Goods, works, consultants’ services, training, and Incremental Operating Costs	30,000,000.00	100 %
<b>Total</b>	<b>30,000,000.00</b>	<b>-</b>

### Phase-2 (Future Proposal contingent on availability of further funds)

Expenditure Category	Amount of the Grant Allocations (US\$)	Financing Percentage (including taxes)
Goods, works, consultants’ services, training, and Incremental Operating Costs	20,000,000.00	100 %
<b>Total</b>	<b>20,000,000.00</b>	<b>-</b>

### Retroactive Financing.

35. Expenditures not exceeding USD 10,400,000 may be retroactively financed for eligible expenditures paid by Government on or after January 1, 2009. This amount constitutes 35 percent of the Grant being requested from the ARTF.

### Summary Reports.

36. Summary reports in the form of Statements of Expenditure will be used for payments from the Designated Account to contractors and suppliers for expenditures on contracts above US\$25,000; all training programs and operating costs regardless of whether Bank procurement prior review is required or not. For all payments on contracts > \$25,000 from the DA to contractors and suppliers, source documentation is required. For advances/reimbursements to the FA (see below) an expenditure report, prepared by the IC in accordance with procedures agreed with

the MRRD and MPW constitutes the sufficient supporting documentation. Source documentation for payments transacted by the IC is not envisaged. If it becomes necessary to support the IC's expenditure reporting with contractor documentation, that additional support may be requested subject to the disbursement letter being modified.

### **Designated Account.**

37. The legal agreement will contain provisions allowing for a single designated account that may be opened at DAB in US dollars for a maximum amount of US\$ 16 million. The SDU will manage payments from and new advances/reimbursements to the DA. Cash advances may be taken from the Designated Account, and held and managed by either MPW or MRRD. These agencies' controls for holding, accounting, and preparation of Statements of Expenses (SOEs) have been satisfactorily assessed. New cash advances will only be made when all other prior cash advances have been justified through submission of SOEs to the SDU. Monthly expenditure reporting for payments made from the designated account is required.

### **Float Account**

38. Out of proceeds of the DA, an advance of approximately an amount of US\$ 6 million will be made to the IC-managed float account (FA). Conditions for the FA will be spelled out in the consultant contract and the FM sub-manual. From the FA, payments to contractors for roads works will be authorized by the IC, subject to necessary approvals being obtained from MPW and MRRD, as outlined in the project FM sub-manual. Disbursement of all other IC-supervised activities will be made from the FA. The IC should submit a monthly expenditure report to MPW and MRRD for approval and then for their submission to SDU so that the FA-financed expenditures can be included in the monthly DA reimbursement application and expenditure reporting. The basis for the advance to the FA will be the IC's contractual financial provisions – and multiple advances may be made up to the agreed contractual ceiling. The IC-prepared expenditure report is considered a source document. In line with lightened fiduciary requirements under OP 8.00, supporting documentation in remote locations that cannot feasibly be routed to Kabul is not required. Thus, the Bank will accept the IC's expenditure reporting by itself as an acceptable basis for disbursement. Contractors' source documentation (on site in provinces) is not required to support the IC expenditure report. The IC's fees may not be paid out of the FA. No bank statement or reconciliation of the FA is required. The advance to the FA will be reflected on the DA reconciliation statement. The proposed project FA will be separate from the FA opened by IC for IDA NERAP.

### **Direct Payments**

39. Third-party payments (direct) and Special Commitments will be permitted for amounts exceeding US\$ 200,000 and US\$ 150,000 respectively. All such payments require supporting documentation in the form of records (copies of invoices, bills, purchase orders, etc.). Issuance of SCs is unlikely. With direct payments, the Bank will apply this minimum flexibly when implementation needs or urgent payment priorities override strict application of the minimum threshold – provided however that expenditure reporting on the DA is being submitted on a regular monthly basis.

### **Disbursement for Routine Maintenance Grants**

40. Currently under the Routine Maintenance Component, only IDA will finance block grant disbursements, channeled through the NSP block grants account and ultimately channeled

through communities similar to the flow of funds on the National Solidarity Project. In this regard, IDA is financing the grant and the underlying documentation attesting to the Routine Maintenance Grant would be the grant financing agreement to be retained either at the community/village level or elsewhere if community/village level document retention is not feasible. Disbursement of Routine Maintenance Grants would be reported on via submission of a statement of expenditure.

### **Preparation of Withdrawal Applications**

41. MRRD and MPW will prepare Summary Reports (Statements of expenditures) for expenditures paid from the DA and will review/approve the expenditure reports prepared by the IC for expenditures paid from the FA and forward those reports to the SDU for further processing and consolidation as a reimbursement application. The SDU will review withdrawal applications for quality and conformity to Treasury procedures, and then obtain signature. Selected IC, MRRD, MPW and SDU finance staff will be registered as users of the World Bank Web-based Client Connection system, and take an active hand in managing the flow of disbursements.

### **Financial Management Covenants**

42. During project implementation, the Bank will supervise the project's financial management arrangements. The team will:

- Review the project's quarterly un-audited interim financial reports as well as the project's annual audited financial statements and auditor's management letter.
- Review the project's financial management and disbursement arrangements (including a review of a sample of SOEs and movements on the Designated Account and bank reconciliations) to ensure compliance with the Bank's minimum requirements.
- Review agency performance in managing project funds to ensure that it is timely, accurate, and accountable. Particular supervision emphasis will be placed on asset management and supplies.
- Review of financial management risk rating and compliance with all covenants.

### **Supervision Plan**

43. During project implementation, the Bank will supervise the project's financial management arrangements. The team will:

- Review the project's quarterly un-audited interim financial reports as well as the project's annual audited financial statements and auditor's management letter.
- Review the project's financial management and disbursement arrangements (including a review of a sample of SOEs and movements on the Designated Account and bank reconciliations) to ensure compliance with the Bank's minimum requirements.
- Review agency performance in managing project funds to ensure that it is timely, accurate, and accountable. Particular supervision emphasis will be placed on asset management and supplies.

- Review of financial management risk rating and compliance with all covenants.

## **Conclusion**

44. The FM arrangements, including the systems, processes, procedures, and staffing are adequate to support this project - subject to implementation of the items listed in the action plan.

## **Appendix-7: Economic Aspects**

### **Sub-project Economic Appraisal**

#### **REHABILITATION OF ROAD FROM BAGH-E-MUBARAK TO BAHARAK, VIA KHASH, JURM DISTRICT, CH. 00+000 TO 53+500 Km**

##### **Project Background**

##### **Problems and Objectives**

The proposed 53.5 km road starts at Bagh-e-Mubarak, approximately 15km from Faizabad and ends at Baharakh district centre. The road is located in Badakhshan province and it connects three district centres (Khash, Jurm and Baharak) with provincial head quarter.

Khash district has 24,000 populations, located in the northeast of Badakhshan with 40 KM distance from Faizabad center. The district has a market consist of 300 shops which the people are supplied through this. The area it self is a suitable place for agriculture, tress, especially for livestock as the nature has given sufficient grass growing facility, but due to weather or people carelessly there are no visible number of fruit tress.

Khash Due to criticality of the area it was officially authorized by the government of Zahir Shah for poppy cultivation which recently the district came as the first producer of poppy in Badakhshan, but finally as the result of development and their life improvement through international organizations and NSP Shuras the cultivation has considerably reduced or approached to zero.

As of the road condition at Baghi Mubarak end the subject market is being supplied through Jurm end using 78 KM distance from Faizabad since the goods trucks can not move through the real alignment via Baghi Mubarak, this causes to double the price of goods supply in Khash Market. The passenger cars are charging 250 Afs per person which some people can not pay this, thus walk to Faizabad or use donkey. Similar thing happens to a sick person if wants to go to Faizabad hospital.

##### **Local economical sources for the people are:**

##### **Agriculture, livestock and trade.**

Agriculture: the area is producing a best quality of potato which is popular over the province, it has sufficient animal foods, animal's liquidation, as of the trees there is lots of fire and construction woods in the area, Shirin Boyah which is found through digging the ground(not know the English name but it is used as medicine) all these items are the dire needs of Faizabad market which can give a considerable economic income to the people of Khash but due to no improved road and the distance they can not take them to market as the transport cost will come more than the real price when reach to Faizabad. There are local traders who want to run up their families via supplying the district market but due to road condition they can not expect/earn more benefit, it causes them to stop.

##### **People modernization:**

There are number of people who have the ability and wishes for modern buildings at their area but remained unchanged as can not easily transport the required construction materials to upgrade life.

The Baghi Mubarak DBST road will automatically change all these to a positive zone, people economy will improve through their local income, travel time will be reduced, they will have less lose of money on purchases and transport cost for both goods and passengers, people will be modernized which will change the shape of district, social life and connection will be developed when people can access each other to Faizabad with a less pay, patients will not anymore lose life and can reach to Faizabad hospital. This can even impact Jurm district.

**The Objectives of this project are as follows;**

- a) To establish direct and uninterrupted road communication
- b) To ease the marketing facility of agricultural product to other parts of the country
- c) To improve the overall socio-economic condition of the project area

**Identification and assessment of options**

No other alternative modes exist along the proposed route which could be considered to improve transport services but this road best integrates different modes of transport. This road is very useful for the marketing and transporting the agricultural and industrial products and to near and far markets.

**Description of the Preferred Option**

As the traffic demand is increasing day by day, the construction of the proposed road is required immediately to ensure a smart and effective transport network. On the other hand the road is very much important because it plays an important role in transportation of local goods. To ensure a smart, efficient and demand responsive road network with a minimum travel time, the proposed project Improvement of this road is an urgent need

**Table 1 : Cost Estimates (Amount in AFN Lac (1 Lac = 10<sup>5</sup> AFN)**

Item of works	Unit	Qty.	Rate	Amount
Bill-1 Preliminary & General	LS	1.00	83.2	83
Bill-2 Clearing & Earth Work	LS	1.00	894.3	894
Bill-3 Soil Aggregate Pavement	LS	1.00	1007.5	1008
Bill-4 Bituminous Pavement Works	LS	1.00	930.9	931
Bill-5 Miscellaneous Works	LS	1.00	625.1	625
Bill-6 Concrete Works	LS	1.00	186.2	186
Bill-7 Others Works	LS	1.00	282.8	283
<b>Total =</b>				<b>4010</b>

**Indicators**

**Percent of Poor People in the area of Influence (AOI)**

Since the project is a project of District Road, the AOI has been taken 1 km buffer on both sides of the road.

## Poor People Among Users

**Table 2 : Occupancy and Poverty Data by Mode**

Mode	Average Occupancy	Poor people as per cent of Occupants
Med truck	3.0	
Light truck	2.0	
Large Bus	35	30
Minibus	25	18
Microbus	5	1
Jeep/Pick up	7	3
Car/ Taxi	5	1
Auto-rickshaw	0	0
Tempo	0	0
Motorcycle	2	1
Bicycle	1	45
Animal Carrying Load	2	60

Traffic count data has been collected from site (November 2008)

**Table 3 : Calculation of AADT**

Mode	AADT*	Average Occu- pancy	Total Users	Poor	Number of Poor Users
	<b>A</b>	<b>B</b>	<b>C=A*B</b>	<b>D</b>	<b>E =C*D</b>
Med truck	50				
Light truck	30				
Large Bus	125	35	4375	30%	1313
Minibus	30	25	750	18%	135
Microbus	10	5	50	1%	1
Car/ Taxi	150	5	750	1%	8
Tempo	0	0	0	0%	0
Auto-Rickshaw	0	0	0	0%	0
Motor cycle	70	2	140	1%	1
Bicycle	25	1	25	45%	11
Animal Carry- ing Load	300	2	600	60%	360
<b>Total</b>	<b>710</b>		<b>6690</b>		<b>1828</b>

## Transport Cost Benefit Analysis Indicator

For transport cost benefit analysis two critical aspects are to be taken into account. All the amounts were categorized into costs and benefits and spread over time according to their possible time of concurrence.

Projects financial and economic costs are detailed in the following table.

**Table 4 : Financial and Economic Costs** (Amount in AFN Lac (1 Lac = 10<sup>5</sup> AFN))

Item of works	Unit	Qty.	Rate	Financial Cost	SCF	Economic Cost
Bill-1 Preliminary & General	LS	1.00	83.20	83.20	0.80	66.56
Bill-2 Clearing & Earth Work	LS	1.00	894.26	894.26	0.85	760.12
Bill-3 Soil Aggregate Pavement	LS	1.00	1007.52	1007.52	0.85	856.39
Bill-4 Bituminous Pavement Works	LS	1.00	930.90	930.90	0.85	791.27
Bill-5 Miscellaneous Works	LS	1.00	625.14	625.14	0.85	531.37
Bill-6 Concrete Works	LS	1.00	186.20	186.20	0.85	158.27
Bill-7 Others Works	LS	1.00	282.78	282.78	0.85	240.36
<b>Total =</b>				<b>4010.00</b>		<b>3404.34</b>

The cost of construction is spread over a period of 2 years in the following manner based on annual phasing of the projects implementation.

**Table 5: Distribution of cash flow in the implementation Period** (Amount in AFN Lac (1 Lac = 10<sup>5</sup> AFN))

Year	Share in %	Financial	Economic
2007-2008	10.00%	401.00	340.85
2008-2009	75.00%	3007.50	2556.38
2009-2010	15.00%	601.50	511.28

**3408.50**

Maintenance cost is spread in the analysis based on criteria presented in the following table. Routine maintenance is done every year and overlay done in every ten years.

**Table 6 : Rates for maintenance cost (Lac AFN)**

Serial no	Maintenance type	Cost per Km		Total cost for Project Road
		Financial	Economic	Economic
1	Routine maintenance	1	0.85	45.475
2	Seal coat	10	8.50	454.750
3	Overlay	50	42.50	2273.750

### Benefit Analysis

The benefits of the project are calculated under the following headings;

- Travel time cost saving
- Vehicle operation cost

Travel time cost and vehicle operating cost savings were calculated by deducting the project case costs from base case costs.

### Travel Time Cost Calculation

Travel time is saved for two reasons;

- Shortening of route length
- Improvement of roughness

In this case, the improvement will be made on the existing route and therefore there will be no shortening of route. Hence travel time is saved for decrease of roughness only. Calculation of Travel Time cost is shown in Table-10

Conversion of time saving into money values was based on assumption

**Table 7 : Travel Times Costs for different modes**

Vehicle category	Financial	Economic
	TTC per passenger (AFN/hr)	TTC per passenger (AFN/hr)
Med truck	50.0	42.5
Light truck	45.0	38.3
Large bus	20.0	17.0
All Buses	18.0	15.3
Mircrobus	35.0	29.8
Car/ Utility	50.0	42.5
Tempo	15.0	12.8
Animal Carrier Load	10.0	8.5
Motor Cycle	5.0	4.3

Data taken by MoPW Survey Team Nov 2008

The saving was converted in monetary value by using the following form as:

The value of saving for each vehicle = saved time (hour)\* value of time (AFN/hr.)\* number of passengers

**Table 8 : Calculation of Travel Time Cost Saving**

Vehicle category	Time Save	Average Occupancy	Economic Travel Time Cost saving per vehicle	Average Annual Daily Traffic	Daily Travel Time Cost Base Case	Daily Travel Time Cost Project Case	Travel Time Cost Saving per Day	Annual Travel Time Cost Saving
	Hours				AFN	AFN	AFN	AFN
Med truck	0.49	3.00	62.36	50	11371.34	8253.39	3117.95	1138050.74
Light truck	0.47	2.00	36.32	30	3759.50	2669.79	1089.71	397744.55
Large bus	0.70	30.00	320.86	125	102342.03	62235.02	40107.01	14639059.69
Mini Bus	0.47	18.00	130.77	30	13263.53	9340.51	3923.02	1431900.53
Micro Bus	0.46	5.00	68.23	10	2387.98	1705.70	682.28	249032.28
Car	0.62	5.00	131.39	150	50167.66	30458.94	19708.72	7193684.55
Motor Cycle	0.46	2.00	3.90	70	955.19	682.28	272.91	99612.91
<b>Total</b>				<b>465</b>	<b>184247.24</b>	<b>115345.63</b>	<b>68901.60</b>	<b>25149085.26</b>

### Vehicle Operating Cost Saving

Improvement of the roads roughness condition will reduce vehicle operating cost. The amount of saving will depend on the IRI level in both the project and base case. The estimation of vehicle

operating cost saving standard table was used which contain vehicle operating vehicle operating cost in AFN/km has been assumed

**Table 9 : Calculation of Vehicle Operating Cost**

Vehicle category	VOCb (AFN/Km)	VOCp (AFN/Km)	VOCB/VJ (AFN)	VOCPVJ (AFN)	AADT	DVOCB (AFN)	DVOCP (AFN)	DVOCS (AFN)	AVOCS (AFN)
	(A)	(B)	(C)	(D)	(E)	F=C*E	(G =D*E)	(H=F-G)	(I =H*365)
Med. Truck	17.77	12.9	950.70	690.15	50	47534.8	34507.5	13027.3	4754946.3
small truck	12.79	9.56	684.27	511.46	30	20528.0	15343.8	5184.2	1892214.8
Large bus	20.34	13.72	1088.19	734.02	125	136023.8	91752.5	44271.3	16159006.3
Minibus	14.18	11.4	758.63	609.90	30	22758.9	18297.0	4461.9	1628593.5
Microbus	16.51	11.36	883.29	607.76	10	8832.9	6077.6	2755.3	1005666.3
Utility	14.65	9.26	783.78	495.41	0	0.0	0.0	0.0	0.0
Car	11.89	9.32	636.12	498.62	150	95417.3	74793.0	20624.3	7527851.3
Auto Rick	2.93	2.32	156.76	124.12	0	0.0	0.0	0.0	0.0
Motor Cycle	1.41	1.3	75.44	69.55	70	5280.5	4868.5	412.0	150361.8
<b>Total</b>					<b>465</b>	<b>336375.9</b>	<b>245639.9</b>	<b>90736.0</b>	<b>33118640.0</b>

Where:

- VOC = Vehicle Operating cost
- VOCb = VOC Base case (VOCb were taken to be economic by sCF)
- AADT = Average Annual Daily Traffic
- VOCp = VOC project case
- VOCB/VJ = VOC in the base case per vehicle journey
- VOCP/VJ = VOC in the project case per vehicle journey
- DVOCB = Daily VOC in base case
- DVOCP = Daily VOC in the project case
- DVOCS = Daily VOC saving
- AVOCS = Annual VOC saving

**Table 10 : Consolidated Economic TTC and VOC savings**

Vehicle category	Base case			Project case			Daily savings
	TTC	VOC	Total	TTC	VOC	Total	
Med. Truck	11371.3	47534.8	58906.1	8253.4	34507.5	42760.9	16145.2
small truck	3759.5	20528.0	24287.5	2669.8	15343.8	18013.6	6273.9
Large bus	102342.0	136023.8	238365.8	62235.0	91752.5	153987.5	84378.3
Minibus	13263.5	22758.9	36022.4	9340.5	18297.0	27637.5	8384.9
Microbus	2388.0	8832.9	11220.8	1705.7	6077.6	7783.3	3437.5
Car	50167.7	95417.3	145584.9	30458.9	74793.0	105251.9	40333.0
Motor Cycle	955.2	5280.5	6235.6	682.3	4868.5	5550.8	684.9
<b>Total</b>	<b>184247.2</b>	<b>336375.9</b>	<b>520623.1</b>	<b>115345.6</b>	<b>245639.9</b>	<b>360985.5</b>	<b>159637.6</b>

Decrease of Transport Cost Daily =

30.7%

Total cost reduction as a result of the project is therefore 30.7% of the base case.

**Table 11 : Traffic Projections**

Fiscal year	Year	Incremental growth rate	Cumulative Traffic demand (Compound growth rate)
2007-2008	Construction 1	5.0%	105.0%
2008-2009	Construction 2	5.0%	110.3%
2009-2010	Opening	10.0%	121.3%
2010-2011	Year 1	8.0%	131.0%
2011-2012	Year 2	8.0%	141.5%
2012-2013	Year 3	8.0%	152.8%
2013-2014	Year 4	8.0%	165.0%
2014-2015	Year 5	8.0%	178.2%
2015-2016	Year 6	8.0%	192.4%
2016-2017	Year 7	8.0%	207.8%
2017-2018	Year 8	8.0%	224.5%
2018-2019	Year 9	8.0%	242.4%
2019-2020	Year 10	8.0%	261.8%

**Table 12: Streaming of Costs and Benefits (Amount in AFN Lac (1 Lac = 10<sup>5</sup> AFN))**

Year		Construction Cost	Maintenance Cost	Total Cost	Total Benefit
Construction-1	2007-2008	340.85	0.00	340.85	0
Construction-2	2008-2009	2556.38	0.00	2556.38	0
Opening	2009-2010	511.28	0.00	511.28	0
1	2010-2011		45.475	45.475	763.17
2	2011-2012		45.475	45.475	824.23
3	2012-2013		45.475	45.475	890.17
4	2013-2014		45.475	45.475	961.38
5	2014-2015		454.750	454.750	1038.29
6	2015-2016		45.475	45.475	1121.35
7	2016-2017		45.475	45.475	1211.06
8	2017-2018		45.475	45.475	1307.94
9	2018-2019		45.475	45.475	1412.58
10	2019-2020		2273.750	2273.750	1525.59

**Table 13: Cost-benefit Analysis (Amount in AFN Lac (1 Lac = 10<sup>5</sup> AFN))**

Year		Undiscounted total		Discount factor	Discounted total		Net Benefits	
		Costs	Benefits		Costs	Benefits	Undisc.	disc.
(a)		b	c	d	e	f	g=c-b	h=f-e
1	Construction 1	340.85	0.00	0.89	304.33	0.00	-340.85	-304.33
2	Construction 2	2556.38	0.00	0.80	2037.93	0.00	-2556.38	-2037.93
3	Opening	511.28	0.00	0.71	363.92	0.00	-511.28	-363.92
4	Year 1	45.475	763.17	0.64	28.90	485.01	717.70	456.11
5	Year 2	45.475	824.23	0.57	25.80	467.69	778.75	441.88
6	Year 3	45.475	890.17	0.51	23.04	450.99	844.69	427.95
7	Year 4	45.475	961.38	0.45	20.57	434.88	915.90	414.31

8	Year 5	454.750	1038.29	0.40	183.67	419.35	583.54	235.68
9	Year 6	45.475	1121.35	0.36	16.40	404.37	1075.88	387.97
10	Year 7	45.475	1211.06	0.32	14.64	389.93	1165.58	375.29
	<b>Total</b>	<b>4136.10</b>	<b>6809.64</b>		<b>3019.19</b>	<b>3052.21</b>	<b>2673.54</b>	<b>33.02</b>

Assuming discount rate of 12%

### Findings of Analysis

1. The roads is primarily used for the transport of different products ( i.e. agricultural, industrial products etc.) from the source of production to the market places. Hence imposition of toll will increase the cost of transport and eventually the price of the commodities. Thus imposition of toll cannot be considered as a good option as can't attract private sector.
2. Interviews with local contractors suggest that around 30 percent of the people employed in construction are women.

Broad Objective	Impact indicator	Quantitative assessment
Equity	Poor people in the AOI	Poor people in the AOI (%)
	Poor people among users	Poor people among users (%)
	Job creation for local people	Job creation for local people
	Women among total users	% of Women among total users
	Job created for women	% of Job created for women
	Total land take	Amount of land take over project cost
	Number of people to be resettled	Number of people to be resettled
Efficiency	Economic internal rate of return	EIRR (%)
	Increase in Availability	Increased availability (Days)
	Financial Internal Rate of Return	FIRR (%)
	Integration	N/A
	Accident Reduction	N/A

3. The percentage of women among total users = 21%

### ECONOMICAL EFFICIENCY

4. EIRR is 12.3%
5. Discount Rate = 12% Discount rate was assumption to find out discount factor to calculate NPV (Virtually the rate is zero as it is a Grant)
6. NPV is 3,302,000.00 Value in AFN
7. The project performed quite well in cost-benefit analysis (BCR 1.01). It also seems to have good impact on employment creation because it is hoped to employ significant percent of local people.

## **Appendix 2: Monitoring and Evaluation Arrangements**

### **Main Objectives:**

1. The monitoring and evaluation (M&E) system for the project is intended to provide information to the relevant stakeholders on project implementation performance, process, outputs, and outcomes. The main purpose of the monitoring system is to provide timely feedback to key decision makers, so that lessons can be learnt on a real time basis and corrective measures initiated when necessary.
2. The project's M&E system will be based on the six components: (a) implementation monitoring, (b) post-implementation monitoring, (c) community participatory monitoring, (d) a baseline survey and an impact evaluation, (e) Mid term review, and (f) an external evaluation study at the end of the project. In addition, as an activity of Component C, studies will i.a. be conducted in order to establish rural roads management system and maintenance mechanism.
3. To assess whether the NERAP is meeting its objectives, key performance indicators have been developed (See Appendix 1: Results Framework and Monitoring). Regular supervision and a mid-term review will be conducted by IDA to measure the achievements against these key indicators.

### **B. Institutional Arrangement for M&E**

4. The MPW PIU will be responsible for monitoring Component A, while MRRD PIU will monitor Component B. The M&E focal points of both PIUs will be responsible for coordinating the M&E tasks, liaising with the IC, as well as regional M&E staff and provincial engineers in the collection and reporting of the required data. The monitoring data will be continuously updated and consolidated quarterly for provision to the Bank task team, and will be made available to coincide with the supervision missions of the project. The PIUs will develop reporting forms and propose them to the NCU coordinator based on the indicators in the Appendix 1: Results Framework and Monitoring, which will be then used in each PIU reporting.

### **C. Implementation Monitoring**

5. The primary objective is to monitor the progress of the projects based on the measurable outcome/outputs as listed in the Appendix 1: Results Framework and Monitoring.
6. The provincial engineers will continue to be responsible for the implementation monitoring, focusing on inputs, process and output level, using the project roads as well as benefiting communities as the basic unit of monitoring. The provincial M&E staff will prepare a brief monthly field report on the implementation status.
7. At the regional office level, the regional M&E staff will prepare a monthly report based on the provincial report, which will be then submitted to each PIU.
8. At the national level, the M&E focal point of each PIU will consolidate the reports from the regional office and will feed the information into the Management Information System. The M&E focal points will prepare quarterly progress reports, which will then be consolidated by each PIU, with support from the IC, as the overall program report. The report will be submitted to the NCU, while its summary will be distributed to key stakeholders, including the Steering Com-

mittee and donors. Moreover, the M&E focal points will visit the project roads directly on random sample basis for cross checking of the reports submitted.

### **C. Post-implementation monitoring**

9. The objective of this monitoring is primarily to assess the sustainability of the road works after completion of works. During the liability period (6 months to 1 year), this will be carried out by the provincial and regional M&E staff, who will follow up with the contractors immediately if there is any deficiencies observed. The technical sustainability of the road improvements will remain a major challenge. Under IDA NERAP, a strategy for maintenance will be developed and routine maintenance will be contracted to CDCs. It is expected that the post-implementation monitoring will be introduced in line with the strategy.

### **D. Community participatory monitoring**

10. Reflecting that focus will be placed towards the community-led management and maintenance, community participatory monitoring will be introduced. The social inclusion unit will ensure the participation of beneficiary communities in the implementation and monitoring of Level 1 projects. Community participation will ensure better accountability of contractors, road user groups and the PIUs staff, thus creating transparency on the use of funds, while ensuring community engagement and appropriate targeting of the poorest households in Level 1 road rehabilitation and maintenance.

11. The social inclusion unit will use the CDC as the entry point (where a CDC does not exist any other existing community based organizations will suffice) for undertaking community based participatory monitoring to (i) assess progress based on a few and simple selected key process and output indicators; and (ii) conduct regular social audits to provide brief quantitative reports on the community perceptions and social results including the potential impact on crop diversification, generated by the road access. The social inclusion unit will prepare (i) a monthly report on the findings and submit this to the regional office; (ii) conduct at least 3 social audits per-quarter and; (iii) provide quarterly progress reports regarding level 1 works and community participation..

### **E. Baseline Survey and impact evaluation**

12. A baseline study is underway with the help of the Vulnerability Assessment Unit (VAU) of MRRD, which has extensive experience from the administration of the National Risk and Vulnerability Assessment (NRVA) and from participation in the NSP impact evaluation. The survey has already been completed. Key data collected include accessibility, local price levels, traffic counts, road passability and travel times. The baseline survey has also collected household level information on transport and travel needs, income and expenditures patterns, asset ownership, income and crop diversity, employment as well as access to markets, health and education services. The survey was administered at the household level in order to capture the distribution of transport costs and benefits from transport improvements across different socioeconomic groups and across genders. Recognising the role the development of the road network can play in improving access to markets for labour and agricultural commodities the survey also looked at current levels of diversification of income and cropping patterns. Currently the data and results of the survey are being analyzed, with expectation that the report will be finalized by June 2009.

13. Previously NRAP had not carried out an impact evaluation and has relied on anecdotal evidence to argue that interventions have a positive impact on the rural population. To remedy this

situation, NERAP will undertake a rigorous impact evaluation of its projects. In order to identify the effects of NERAP projects on outcomes of interest and to generate evidence-based recommendations on how the structure of the program may be adapted to more efficiently meet program goals, a rigorous impact evaluation of project effects and related interventions will be implemented across the life-cycle of the project. The impact evaluation will focus on estimating two core effects: (i) Project Effects; and (ii) Effect of Complementary Input Interventions (CII).

14. *Project Evaluation*: The Project Evaluation seeks to provide evidence-based recommendations to the Government and donors on the efficacy of project activities. The methodology for the Project Evaluation is centered on the identification of a control group (communities which do not receive road improvements through NERAP) and a treatment group (communities which do receive road improvements through NERAP) prior to the start of the works. In order to limit contamination of estimated effects by selection biases<sup>9</sup>, it is important that communities of treatment and control groups face, on average, an identical probability of being included in the project. Given that the investment plan for NERAP is mostly fixed and that randomized selection of treatment areas are potentially precluded, -which could mitigate the selection bias problem - a control group will have to be identified through statistical matching algorithms, such as propensity-score matching or synthetic-matching. These statistical techniques can create artificial control groups from a combination of existing villages in the sample. The baseline will be significantly larger than subsequent follow up surveys in order to ensure adequate balance of general characteristics across treatment and control groups and avoid mismatches between treated and control units. Project effects will be estimated by a comparison of outcome means across treated and control villages, before and after NERAP.

15. *Complementary Input Intervention (CII) Evaluation*: The CII Evaluation seeks to provide evidence-based recommendations to the Government on the efficacy of bundling complementary interventions with road rehabilitation projects. The feasibility of carrying out such an evaluation has not yet been established. If feasible, the NERAP CII Evaluation will focus specifically on interventions related to Intermediate Means of Transport (IMTs). It is envisaged that the Evaluation Team will partner with organizations involved in micro-credit, such as Micro Finance Investment for Afghanistan (MISFA) to randomly allocate such IMT investments to units receiving NERAP projects and areas not receiving NERAP projects. This does not mean that IMTs will be included in the proposed project but the Evaluation Team will try to identify partners who are interested in working in parallel with the project. The CII Evaluation will then employ difference-in-difference estimators to identify whether improvements in accessibility in rural areas are conditional on the provision of road rehabilitation schemes, IMT-related investments, or both.

## **F. Mid-term Review**

16. During the second year of the project and no later than June 30, 2010, a mid-term review will be conducted in order to assess whether the NERAP is achieving the objectives as planned, and to initiate corrective measures if deemed necessary. Prior to the mid-term review, a new assessment of overall management and fiduciary aspects management capacities of the ministries will be carried out. As appropriate, the government will contract a consultant (from grant proceeds) to review and assess progress in implementing the project and to assist in preparing the necessary do-

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<sup>9</sup> Selection bias occurs if treatment groups tend to be from areas with high growth potential or high traffic density. These areas could have grown faster even in the absence of the road rehabilitation leading the impact evaluation to over-estimate the impact of roads;. Alternatively, if treatment areas tend to cover predominantly low income groups for whom road availability is one of many binding constraints on poverty alleviation, the result would be an under estimation of the average impact of road rehabilitation in rural areas.

documentation for the review. The steering committee through the NCU will be responsible for preparing the necessary documentation for the review and for planning the midterm review meeting. The midterm review will evaluate progress in reaching the NERAP and program objectives, and will identify measures to improve performance if needed. Careful attention will be paid to the performance in managing the technical and fiduciary aspects by the ministries in order to analyze the ways and means to transfer additional responsibilities to the ministry if deemed acceptable. Special attention will also be paid in addressing environmental and social issues and in designing and implementing the various activities. Specialists will assess the environmental and social impacts of investments, both individually and cumulatively, and the adequacy of safeguard procedures agreed for the project. The MTR will also review efforts to ensure good governance and reduce risk of corruption.

### **G. External Evaluation**

17. At the end of the three years, an external evaluation will assess NERAP's impact and provide recommendations for the rest of the implementation of the program. The evaluation will specifically assess whether the target set in Appendix 1: Results Framework and Monitoring have been achieved at the end of the project, based on findings from the analytical works, the impact evaluation and monitoring records during the project. An independent external evaluation will also be carried out to evaluate the contract compliance of the Implementation Consultant (annually).

### **H. Management Information System (MIS)**

18. A full-fledged MIS is already established and is functioning reasonably well at the MRRD PIU, while that of the MPW PIU needs further improvement to function more effectively. Neither of the two systems is currently used as a management tool but rather serves as data collection points. During the NERAP, the MIS of both PIUs will be improved and it is further envisaged that both systems shall integrate the National Rural Network Information. This integration would allow the PIUs to overlook the progress of the project as a national program and to monitor the progress towards the targets set by the IANDS.

19. In addition to this the PIUs will incorporate the community level participatory monitoring indicators and collection into the MIS and reporting.

20. It needs to be ensured that the data collected will be analyzed and be used to inform management decisions at both ministry and NCU level.

**Appendix 9: Environmental and Social Management Framework**



**ISLAMIC REPUBLIC OF AFGHANISTAN**

**Ministry of Rural Rehabilitation and Development (MRRD)**

**And**

**Ministry of Public Works (MPW)**

**National Rural Access Program (NRAP)**

**Executive Summary**

**Environmental and Social Management Framework  
(ESMF)**

**NATIONAL EMERGENCY RURAL ACCESS PROJECT (NERAP)**

**July 2007**

## **I. Background and the proposed NERAP:**

1. The Government of Afghanistan (GoA) attaches a high priority to improving rural accessibility and has been promoting the reconstruction of rural access infrastructure since 2002. Originally known as the National Emergency Employment Program (NEEP) this effort was part of the Government's social protection agenda and aimed to create employment while also rehabilitating rural roads. In 2005 an external review recommended to shift the emphasis to the provision of quality rural roads while creating jobs when feasible. GoA accepted this recommendation and the program is now known as the National Emergency Rural Access Program (NRAP) which is being supported by IDA and several donors under the leadership of the World Bank.

2. The NRAP is executed jointly by the Ministry of Rural Rehabilitation and Development (MRRD) and the Ministry of Public Works (MPW) with implementation support provided by United Nations Office of Project Services (UNOPS) and has been ongoing since mid 2002. From inception and until the end of 2004 the programme was known as the national emergency employment programme (NEEP). In 2005 the focus broadened from that of a primarily employment generation programme to support local sustainable development through improvements in rural access infrastructure. Hence in 2005 the programme name was changed to the national rural access programme (NRAP).

3. Since its inception in 2002 under the Emergency Community Empowerment Project, NRAP has rehabilitated more than 9,000 km of rural roads throughout the country and has connected 3,000 villages. The rural road network is estimated at 30,000 km and the works, to-date, have returned more than 25% of the network to maintainable condition. The program also provided around 13 million labor-days of employment. The program is working in all provinces and is adapting its operations to adjust to the difficult security situation. To reach the target of the Compact, an additional 4,000 km of rural roads need to be rehabilitated over the next three years and included in the maintainable network, resulting in an annual rehabilitation target of 1,350 km.

4. Based on the request from the GoA, WB/IDA together with the Government is preparing a new project of US\$137 million. The objective of the proposed National Emergency Rural Access Project (NERAP) is to provide year-round access to basic services and facilities in rural areas of Afghanistan covered by the project. This will be achieved through a private-sector led development and maintenance of rural access infrastructure. The achievement of PDO will contribute to enhance well-being and promote equitable economic growth in the country. The PDO is derived from the overarching program objective of NERAP.

5. **The National Emergency Rural access Project and Program (NERAP)** aims to enhance human security and promote equitable economic growth by ensuring year round access to basic services and facilities in rural Afghanistan by promoting local productive capacity, through a private sector led development of physical rural access infrastructure and employment creation for the poor. In doing so NERAP seeks to rehabilitate, reconstruct and maintain essential rural access infrastructure using appropriate labor based approaches thereby creating short term employment opportunities for the rural poor, nation-wide.

6. The proposed project components are:

**Component A. Improvement of secondary roads** (US\$39 million equivalent including contingencies and taxes), including rehabilitation and reconstruction of some 270 kilometers of secondary rural roads; emergency repair works to roads and bridges following natural disasters such as

heavy snow, rocks falls, landslide and rocks blockage, heavy rains and flooding; activities to implement and monitor the updated Environmental and Social Management Framework (ESMF); and the services of an implementation consultant and financial contribution to incremental operating expenses required to run the project implementation unit of MPW.

**Component B.** *Improvement of tertiary roads (US\$11 million equivalent including contingencies and taxes)*, rehabilitation and reconstruction of some 130 kilometers of tertiary rural roads; emergency repair works to roads and bridges following natural disasters such as heavy snow, rocks falls, landslide and rocks blockage, heavy rains and flooding; activities to implement and monitor the updated Environmental and Social Management Framework (ESMF) and Social Inclusion activities; and the services of an implementation consultant and financial contribution to incremental operating expenses required to run the project implementation unit of MRRD.

## **II. Objectives**

7. This Environmental and Social Safeguards Framework provides general policies, guidelines, codes of practice and procedures to be integrated into the implementation of the proposed World Bank supported National Emergency Rural Access Project (NERAP). Consistent with existing national legislation, the objective of this Framework is to help ensure that activities under the proposed reconstruction operation will:

- Protect human health;
- Prevent or compensate any loss of livelihood;
- Prevent environmental degradation as a result of either individual road or their cumulative effects;
- Enhance positive environmental and social outcomes; and,
- Ensure compliance with World Bank safeguard policies.

8. The ESMF comprises the following safeguard instruments: (i) Social Inclusion Framework (SIF), and (ii) the Environmental Mitigation Measures (EMM)/Environmental Management Plan (EMP).

## **III. Guiding principles, Policy, Legal and Administrative Framework**

9. No significant environmental impacts are anticipated as the works proposed only involve repair and rehabilitation of existing rural roads and related access infrastructure. The project is not expected to have any land acquisition or other adverse social impacts, but on the contrary significant positive social impacts regarding improved livelihoods. The project is national in scope with a focus on vulnerable districts, and this will enable different ethnic groups to benefit from the project. Since the project involves repair and rehabilitation of existing roads, it will not impact historical or cultural artifacts. The project implementation manual will include project screening, planning and appraisal formats, which will record the environmental and social impacts and related mitigation measures for specific roads. Monitoring will include reporting on chance archeological finds. The project implementation manual will be based on the Environmental and Social Safeguards Framework agreed between the Government and the Bank.

10. *Environmental Impact Assessment regulations promulgated by National Environmental Protection Agency (NEPA):* As per the EIA regulation of NEPA, the transport projects are catego-

alized as “A” and “B” activities depending on following features of the transport project: (i) Activity A: National or provincial highways or major roads with a total cost of US\$800,000 dollars, or more with the exception of maintenance, rebuilding or reconstruction of existing roads; (ii) Activity B: The construction or upgrading of national or provincial highways and roads (except maintenance, rebuilding or reconstruction of existing roads with a total cost of less than US\$800,000 dollars. However, there are another two categories of activities to which provisions of EIA regulations of NEPA are applicable, NERAP road works may fall in these categories: (iii) Activity creating adverse impact on Environmentally Sensitive Areas which relates to activities likely to have significant adverse impact on the environment of the area that has been determined by NEPA to be an environmentally sensitive area; (iv) Prohibited Activity: any other activity that is likely to have a significant adverse effect on the environment and which is determined by NEPA to be a prohibited activity. For above mentioned category of projects, project component will have to take “certificate of compliance” from NEPA after making application and fulfilling the statutory requirements of NEPA.

11. *Applicability to the NERAP project.* It is important to note that the most of the road works constituting the NERAP program are repair or rehabilitation of village, district and province roads type and do not belong to construction/upgrading of national, provincial or major road category and hence NEPA’s requirement of “certificate of compliance” is not required. Therefore, all road works are exempted from the requirement of “certificate of Compliance” from NEPA. However, where there is possibility for new construction of district roads and provincial roads, and/or rehabilitation of roads in environmentally sensitive areas as may be defined by the authority in future, NEPA provisions related to EIA regulation will be applicable.

12. *Land acquisition and resettlement.* The activities to be undertaken under the proposed project involve rehabilitation of existing secondary and tertiary roads that are not likely to involve any land acquisition or have any other adverse social impacts. No involuntary resettlement is anticipated. However, land acquisition, wherever required for subproject activities of NERAP program will be under taken as per the provisions of Afghanistan’s current Expropriation Land Law, enacted in 2000. The process will be further amended to meet the requirement of the Land Policy 2007 in Afghanistan which has been placed before cabinet and National Assembly for approval.

13. *World Bank Safeguard Policies which could be triggered:* The relevant safeguards for this project are mostly Environmental Assessment (OP4.01), Involuntary Resettlement (OP/BP4.12), Indigenous Peoples (OP/BP 4.20), Natural Habitats (OP/BP 4.04) and Physical Cultural Resources (OP/BP 4.11). For all five safeguard policies, the project design follows the criteria and norms laid down in the "Revised Guidance Note on Application of Safeguard Policies for the Afghanistan Program". Because individual subproject investments are not all known in advance, GoA will adopt a programmatic approach, with the following characteristics:

**Table 1: World Bank Safeguard Policies applicable**

S. N.	World Bank Policy	Applicable due to	Addressed by ESMF
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1.	Environmental Assessment OP 4.01	<ul style="list-style-type: none"> <li>Village road projects are likely to have impacts on environmental and social components as on water bodies, existing slopes in case of mountainous and hilly areas and on trees along the road</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of Environmental Mitigation Measures/Environmental management Plan (EMP)</li> <li>Social Inclusion Framework (SIF) to address the environmental and social issues</li> </ul>
2.	Involuntary Re-settlement OP 4.12	<ul style="list-style-type: none"> <li>Project involves affect on assets and livelihood, impact on people belonging to ethnic and religious community.</li> </ul>	<ul style="list-style-type: none"> <li>Preparation of SIF to address social impacts through enhanced community participation and providing options to mitigate losses</li> </ul>
3.	Religious/ethnic groups and groups constituting minorities at local level	Project involves impact on people belonging to ethnic, religious and minority community.	<ul style="list-style-type: none"> <li>Provisions to ensure that all projects have equity across religious/ethnic groups and inclusion of groups constituting minorities at local level</li> </ul>
4.	Natural Habitats OP 4.04	<ul style="list-style-type: none"> <li>Project entails a few alignment through natural water bodies</li> </ul>	Preparation and Implementation of EMP.
5.	Physical Cultural Resources OP 4.11	<ul style="list-style-type: none"> <li>The project entails risk / damage to cultural properties and has likelihood of finding archeological properties</li> </ul>	<ul style="list-style-type: none"> <li>Provisions made for relocation of cultural properties and protection of the same under the “Law on Preservation of Afghanistan’s Historical and Cultural Heritage (2004)”.</li> </ul>

14. *Mine Risk Management.* Road works will not be implemented without appropriate mine-risk management. Current practice (evolved during field implementation) for managing mine risk have been robust. A GoA procedure for mine risk management (based on these practices) in World Bank funded projects has been sent for approval of the Bank Safeguards. Once approved by the Bank and signed by GoA, this will become a part of the project safeguard framework. All risk assessment and clearance tasks shall be implemented in coordination with the Mine Action Center for Afghanistan (MACA). These procedures may need to be amended in the future, depending on evolving circumstances.

#### **IV. Environmental and Social Management Framework (ESMF)**

15. *Environmental and social safeguard measures.* Options to address the various environmental and social issues identified have been worked out based on review of good practices and requirement of compliance with the legal provisions. The analysis of options enabled the identification of measures to address the environmental and social issues. The measures have been finalized

through stakeholder consultations, wherein inputs from the stakeholders including the executing agencies, line agencies and National Environment Protection Agency (NEPA) enabled the finalization of the suitable measures. The measures envisaged under the ESMF are implemented by the both ministries of MRRD and MPW.

16. *Screening of proposed road works.* A screening and review process for identification of sensitive roads with respect to environmental/social issues has been worked out. The screening exercise will be carried out by the PIUs prior to initiation of the project preparation activities. The screening exercise will be used as a tool to identify the severity of impacts of environmental and social issues, and thereby integrate their mitigation measures into the project preparation accordingly.

17. The screening criteria include:

Environmental factors such as;

- Sensitive areas, natural habitats, other state declared sensitive areas
- Felling of trees
- Clearance of vegetative cover
- Loss of productive agricultural land
- Cuts across perennial streams or surface water bodies
- Vulnerability to natural hazards, land slides/slips, soil erosion and,
- Environmental features as wet lands, protected ground water zone, etc

Social factors such as;

- Land availability
- Loss of structures
- Loss of livelihood
- Impacts on common property resources

18. The screening shall provide information on

- Categories of road works and inclusion in the project
- Categories of road works to be excluded in sensitive areas through exclusion criteria.

19. *Responsibilities for Safeguard Screening and Mitigation.* The two ministries will act as the implementing agencies for the proposed project, the Ministry of Reconstruction and Rural Development and the Ministry of Public Works. Each Ministry will be responsible for applying the safeguard screening and mitigation requirements to its own road works. Within each Ministry, a Safeguards Focal Point will be identified with responsibility for overseeing the implementation of the Environmental and Social Safeguards Framework. The National Coordination Unit (NCU) being supported under this project will ensure third-party tracking of implementation of the Framework.

#### **Environment:**

20. **Low Impact road works (L):** The environmental impacts will be of the type normally associated with standard rural road rehabilitation/ reconstruction. Where the expected impacts are small in scale, and can be mitigated through standard measures suggested in the Environmental Mitigation Measures (EMMs).

21. **Medium Impact road works (M):** Where impacts are larger and complex than Category 'L' projects requiring specific intervention, such as new construction projects, project in/adjacent to areas that are declared environmentally sensitive areas by NEPA or that have sensitive environmental features like passing through natural water bodies, flood prone areas, etc. there by requir-

ing additional analysis and site specific environmental management plans. In such cases EMP will be prepared as part of Project Document (PD). The following aspects will be considered as **triggers** for the Medium impact road works thereby requiring preparation of EMP,

- a. Impacts on natural habitats,
- b. Vulnerability to natural hazards, land slides/slips
- c. Projects adjacent to (within 500 m) the environmentally sensitive area as declared by NE-PA or areas as detailed out in exclusion list for this ESMF, and
- d. Projects in flood prone areas.

22. In addition to the preparation of the EMP for such projects, the PIU will undertake the particular road improvement in compliance with the statutory provisions for Environmental compliance by NEPA.

**Social:**

23. **Low Impact road works (L):**

- **Trigger:** The extent of the requirement for land width accretion is not significant and there is no or negligible impact on structures or loss of livelihood.
- Any extra land taken in such roads for the proposed improvements will be through community planning enabling a transparent process of land transfer and alignment finalization as laid down in the Social Inclusion Framework (SIF). This will involve community and village level government body (Shura/CDC) participation in finalizing the land requirement and alignment finalization giving due consideration to aspect of land, safety and scope for future development along the project Road Alignment.

24. **Medium Impact road works (M):**

- **Triggers:** Roads, wherein there is a potential for reasonable loss of land/assets and common properties.
- Prior to initiation of the project preparation activities of such subproject, PIU through community involvement will prepare R&R plan and land transfer process, which should be acceptable to the affected people.
- However if it found that there is a resentment of the communities towards the process of land transfer and R&R plan for the project. In such cases, the PIU through community planning will work out alternative alignments, design modifications to address social issues also taking into account aspects such as road safety and scope for future development.
- Road works where no scope exists for addressing the resettlement impacts through any of the mechanisms suggested in the SIF will be called as High impact project not to be taken up during that particular year and **put in exclusion list**.
- For such roads, the PIU will decide not to go forward with the proposed road improvement through a written communication to the Shura/CDC stating the reasons, and no further analysis or investigation will be undertaken. Such roads will be taken up in subsequent phases of the project, only after these issues are resolved by the communities /Shura/ CDC and there is a formal demand for the project to the PIU from the Shura/CDC as per the NERAP guidelines.

25. **Exclusion of roads.** The exclusion criteria have been worked out to identify activities that would result in serious environmental/social impacts and hence will not be considered for the NERAP project. Such road works shall include:

- Road works involving significant conversion or degradation of critical natural habitats. Including, but not limited to, any activity within:
  - Ab-i-Estada Waterfowl Sanctuary;
  - Ajar Valley (Proposed) Wildlife Reserve;
  - Dashte-Nawar Waterfowl Sanctuary;
  - Pamir-Buzurg (Proposed) Wildlife Sanctuary;
  - Bande Amir National Park;
  - Kole Hashmat Khan (Proposed) Waterfowl Sanctuary
- Road passing through designated protected areas, as Reserved forests, Protected forest
- Project will significantly damage non-replicable cultural property, including but not limited to any activities that affect the following sites:
  - monuments of Herat (including the Friday Mosque, ceramic tile workshop, Mu-sallah complex, Fifth Minaret, Gawhar Shah mausoleum, mausoleum of Ali Sher Navai, and the Shah Zadehah mausoleum complex);
  - monuments of Bamiyan Valley (including Fuladi, Kakrak, Shar-I Ghulghular and Shahr-i Zuhak);
  - archaeological site of Ai Khanum;
  - site and monuments of Ghazni;
  - minaret of Jam;
  - mosque of Haji Piyada/Nu Gunbad, Balkh province;
  - stupa and monastery of Guldarra;
  - site and monuments of Lashkar-i Bazar, Bost;
  - archaeological site of Surkh Kotal.
- Project requires involuntary acquisition of land, or the resettlement or compensation of more than 200 people.
- Roads types other than “province to district/district/village roads”

26. *Environmental Mitigation Measures (EMMs)*. The summary of the environmental mitigation measures (EMMs) as described above are presented in table below, and will guide the environmental mitigation measures to be implemented by project engineers with support from the project implementation unit (PIU), contractors, and other parties concerned with mitigating possible environmental impacts of the road works.

**Table 2: Environmental Mitigation Measures (EMM) and their coverage**

Activities generating Impacts	Key Issues Addressed
Project Preparation (Planning & Design)	<ul style="list-style-type: none"> <li>▪ Incorporation of environmental concerns in project preparation to avoid impacts in construction and operation stages</li> <li>▪ Avoidance of roads through sensitive(exclusion list) areas as reserved forests/sanctuaries/wetlands etc</li> <li>▪ Compliance with legal requirements.</li> </ul>
Site Preparation	<ul style="list-style-type: none"> <li>▪ Relocation of utilities, common property resources and cultural properties</li> <li>▪ Avoidance of affect on roadside vegetation</li> </ul>
Construction Camps	<ul style="list-style-type: none"> <li>▪ Avoidance of sensitive areas for location of construction camps</li> <li>▪ Infrastructure arrangements for workers and construction equipment</li> </ul>

Borrow Areas	<ul style="list-style-type: none"> <li>▪ Avoidance of agriculture lands as borrow areas</li> <li>▪ Redevelopment of borrow areas</li> </ul>
Topsoil Salvage, Storage & Replacement	<ul style="list-style-type: none"> <li>▪ Topsoil removal from areas temporarily/permanently used for construction</li> <li>▪ Reuse of topsoil at areas to be revegetated and in agriculture lands</li> </ul>
Quarry Management	Redevelopment of quarries in case new quarries are setup for the project
Water for Construction	<ul style="list-style-type: none"> <li>▪ Extraction of water in water scarce areas with consent of community</li> <li>▪ Scheduling construction activities as per water availability</li> </ul>
Slope Stability and Erosion Control	<ul style="list-style-type: none"> <li>▪ Slope stability along hill roads</li> <li>▪ Protection of land on hill side from stability loss due to cutting</li> <li>▪ Protection of lands on valley side from debris due to construction</li> <li>▪ Adequacy of drainage for erosion control</li> </ul>
Waste Management	<ul style="list-style-type: none"> <li>▪ Reuse of cut material in hill roads</li> <li>▪ Safe disposal of wastes</li> </ul>
Water Bodies	<ul style="list-style-type: none"> <li>▪ Avoidance from cutting due to alignment</li> <li>▪ Protection of embankment slopes in case of alignment on embankments</li> <li>▪ Rehabilitation of water body</li> </ul>
Drainage	<ul style="list-style-type: none"> <li>▪ Conduct of hydrological investigations during project preparation</li> <li>▪ Provision of longitudinal and cross drainage as per requirements</li> <li>▪ Proper location of drainage outfall</li> </ul>
Construction Plants & Equipment Management	Maintenance of machinery and equipment to avoid pollution
Public and Worker's Health & Safety	<ul style="list-style-type: none"> <li>▪ Provision of Personal</li> <li>▪ Protective Equipment to workers</li> <li>▪ Provision of basic necessities to workers</li> <li>▪ Public safety while travel along construction sites</li> <li>▪ Public safety during operation of the road</li> </ul>
Cultural Properties	<ul style="list-style-type: none"> <li>▪ Avoidance of impacts due to project</li> <li>▪ Protection of boundaries from impacts due to construction</li> <li>▪ Relocation in case impacts are unavoidable</li> </ul>
Tree Plantation	<ul style="list-style-type: none"> <li>▪ Avoidance of impact on trees</li> <li>▪ For every single felled tree , two trees of local species will be planted by the project authorities</li> <li>▪ Encourage growing of trees on roadside</li> </ul>
Natural Habitats	<ul style="list-style-type: none"> <li>▪ Identification of natural habitats</li> <li>▪ Management measures for roads passing through natural habitats (EMP)</li> <li>▪ Structure of management plan</li> </ul>

27. The Social Inclusion Framework (SIF) recommends resettlement and participation framework for NERAP Project.

28. *Resettlement Framework.* The Resettlement Framework outlines the principles and approaches to be followed in addressing and mitigating the social impacts due to the project. The regional PIU, in co-ordination with the Shura/CDC at the village level and project engineer of respective subproject will be responsible for the planning and implementation of resettlement framework addressing social issues. The principles adopted for addressing the social issues including land requirement in the project will be guided by the existing traditional approach followed by the community. Traditionally, communities of Afghanistan have been living as closely

knit unit and decisions of community heads are treated as final. Resettlement issue shall be facilitated by the regional PIU through project engineer and regional SIO but with consent of the community heads. The most important issue will be documentation of these proceedings to avoid any communication gap in future. The resettlement planning involves the following tasks and subtasks:

**Task 1:**

- **Selection of Roads**, for widening/rehabilitation/ new construction
- **Dissemination of Project Information**, after selection of roads and prior to finalisation of the alignment through Transect Walk;
- **Finalisation of alignment** through community planning involving the local communities and provincial departments during Transect Walk Consultations;
- **Consultation with affected persons**, to communicate how concerns of the communities have / have not been incorporated into the project design through disclosure of outputs of Transect Walk;
- **Integrating R&R issues in project document**, ensuring that the designs for the NERAP roads are sensitive to social issues and have incorporated the social considerations;

**Task 2:**

- **Disclosure of process of land requirement and entitlement provisions**, to provide information to PAPs.
- **Serving Advance Notice**, for removal of encroachments and clearance of assets or standing crops;
- **Entering MoU with Ministry by Individual/Group Landowners**, to be coordinated by Regional PIU, which will submit a copy each to provincial governor and PIU at Kabul. This will ensure documented record of land donated or transferred to the ministry against certain compensation. In case of Projects where individual PAP s are not significant in terms of numbers and size of the land/asset loss, group MoU between particular Shura /CDC and Ministry can be signed. In such case, MoU paper shall contain name and signature of all the persons whose land/asset will be transferred to the ministry voluntarily.
- **Information Disclosure and Consultations before construction:** The community representative/contractor, as the case may be, shall, prior to mobilization of work, provide details of temporary impacts during construction such as disruption on existing pathway, increased pollution levels, possible damages to adjacent land due to movement of machinery and project completion date so that community is well aware of the project issues. Similar provision shall be made for separate consultation with women of the community.

29. *Impacts and Entitlements.* The resettlement framework for addressing various social impacts created by the project is summarized and presented in the Table below:

***Table 3: Impact and Proposed Measures***

<b>Impact Category</b>	<b>Proposed Measures</b>
<b><i>Title Holders</i></b>	
Land	<ul style="list-style-type: none"> <li>▪ Willingly transfer land by means of MoU to the ministry ,or</li> <li>▪ Assistance/Support by the community for vulnerable PAPs through: (i) alternate land sites provided by community/CDC/Shura (ii) monetary compensation by the ministry</li> </ul>
Structures	<ul style="list-style-type: none"> <li>▪ Willingly transfer assets by means of MoU to the ministry, or</li> <li>▪ Assistance/support for asset creation by community and CDC/Shura or</li> </ul>

	monetary compensation by the ministry
Common Property Resources	<ul style="list-style-type: none"> <li>▪ Relocation by Shura/community/CDC with technical inputs from PIU, or</li> <li>▪ Reconstruction of asset by Shura/community/CDC with technical inputs from PIU</li> </ul>
<b>Customary Right Holders/Informal Settlements</b>	
Land	<ul style="list-style-type: none"> <li>▪ Verification of land claim by majority vote of CDC/Shura</li> <li>▪ Willingly transfer land by means of MoU to the ministry, or</li> <li>▪ Assistance/Support by the community for vulnerable PAPs through: (i) alternate land sites provided by community/CDC/Shura or (ii) monetary compensation by the ministry</li> </ul>
Structures	<ul style="list-style-type: none"> <li>▪ Willingly transfer assets by means of MoU, or</li> <li>▪ Assistance/support for asset creation by community and CDC/Shura or monetary compensation by the ministry</li> </ul>
<b><i>Serving Advance Notices:</i></b>	
<ul style="list-style-type: none"> <li>▪ Advance notice to removal of assets/standing crops and subsequent clearance; and</li> <li>▪ Involvement of Shura/CDC/community in sensitization and clearance of land</li> </ul>	

30. *Monitoring and Audit of Social Inclusion.* The Social Inclusion Unit (SIO officers), regional monitoring officer and concerned CDC/Shura will be responsible for supervision of Resettlement and Rehabilitation (R&R) implementation and its progress. Safeguard specialist of the World Bank will undertake third part audit to verify the sanctity of the process being followed as per the provisions of SIF. The regional SIO/Monitoring officer in respective regional PIU will document the progress of implementation and send to PIU at Kabul on monthly basis. PIU at Kabul will document progress report and forward the same to MRRD/MPW.

31. *Grievance Redressal Mechanism.* A village level Grievance Committee will be set up in consultation with seniors of the community for resolving issues. Facilitated by regional SIO this committee will meet once in a month until implementation of SIF is completed and quarterly after initiation of the construction work for addressing grievances until the construction is completed. Members of CDC/Shura will not be eligible to join grievance redressal committee. All decisions will be taken on the basis of majority vote of the committee. Residual grievances will be addressed through a Grievance Redressal Committee at the province level, comprising of Regional SIO, Provincial Governor, and Head of concerned Shura/CDC. Representative of PAPs will be invited to be present during the proceedings of grievance redressal.

32. *Capacity Building and Monitoring Of Safeguard Framework Implementation.* As part of the capacity building that will be provided for implementation of the proposed project, the Safeguards Focal Points and relevant staff of the concerned Ministries will also receive training in the application of the Safeguard Framework and specifically during the development and implementation of the road works. To assist in this capacity building, and to provide subsequent guidance and review of the application of the Framework, GoA will contract regularly specialist social and environmental services, and as part of its overall project implementation consultant's team. During supervision of these operations, the World Bank will assess the implementation of the Framework, and if required will recommend additional strengthening.

33. *Consultation and Disclosure.* This Environmental and Social Safeguards Framework reflects consultations with the principal NGOs and development partners participating in reconstruction activities in Afghanistan. It has been disclosed prior to appraisal by GoA in both Dari and Pushtu, as well as English, and it was made available at the World Bank's Infoshop. Since no other separate environmental or social assessments will be prepared for activities under the proposed project, no additional disclosure requirements will apply. In this regard, however, it is worth noting that GoA intends to make all project documentation publicly available through the Afghan Information Management System (AIMS) and on the websites of the ministries and the NCU.

**Format 1: Public Announcements**  
**(Prior to finalization of alignment/transect Walk)**

Province: .....

Project ID:.....

District/Village: .....

- ❖ What is the Project and its salient features
- ❖ Benefits
- ❖ Which Agencies are involved
- ❖ What if resentment from community
- ❖ Need for additional land through Voluntary Land Donation
- ❖ Likely Impacts and Entitlements
- ❖ Date of Transect Walk
- ❖ Alignment Details along with map of alignment displayed
- ❖ Contact Person and Address (PIU and PRI)

Responsible Agency/Person: PIU (PE/RSIO), CDC/Shura (Head and other members)

**Format 2:**  
**Alignment Details for Disclosure**  
(Prior to finalization of alignment/ transect walk)

Province: .....

Project ID:.....

District/Village: .....

Province:

District:

Village:

Name of Project alignment:

Total Length (km):

Connected Settlements:

•Starting Node/km:

•Ending Node/km:

Population Benefited Total:

Implementing Agency:

Name of Contact Person and Address:

Project alignment marked on schematic diagram with centerline & socio-environmental features:

Socio-environmental Features	Schematic diagram

**Format-3**  
**Memorandum of Understanding (MoU) for Individuals**

The following agreement has been made on..... day of.....  
between.....resident of ....., (the Owner)  
And ....., (the Recipient).

1. That the Owner holds the transferable right of .....jerib of land/structure/asset in.....
2. That the Owner testifies that the land/structure is free of squatters or encroachers and not subject to other claims.
3. That the Owner hereby grants to the Recipient this asset for the construction and development of .....for the benefit of the villagers and the public at large.

*(Either, in case of donation:)*

4. That the Owner will not claim any compensation against the grant of this asset.

*(Or, in case of compensation :)*

4. That the Owner will receive compensation against the grant of this asset as per the attached Schedule.
5. That the Recipient agrees to accept this grant of asset for the purposes mentioned.
6. That the Recipient shall construct and develop the.....and take all possible precautions to avoid damage to adjacent land/structure/other assets.
7. That both the parties agree that the.....so constructed/developed shall be public premises.
8. That the provisions of this agreement will come into force from the date of signing of this MoU.

\_\_\_\_\_  
Signature of the Owner:

\_\_\_\_\_  
Signature of the MRRD/MPW Officer (Recipient):

Witnesses:

1. \_\_\_\_\_
  2. \_\_\_\_\_
- (Signature, name and address)

**Format 4**  
**Memorandum of Understanding (MoU) for Group of Community Members**

The following agreement has been made on..... day of..... between community members through Shura/CDC of .....(the Village/District)

And .....(the Recipient).Name of the community members are listed below.

1. That the Owners hereby grant to the Recipient this asset for the construction and development of .....for the benefit of the villagers and the public at large.
2. That the Owners will not claim any compensation against the grant of this asset.
3. That the Recipient shall construct and develop the..... and take all possible precautions to avoid damage to adjacent land/structure/other assets.
4. That both the parties agree that the.....so constructed/developed shall be public premises.
8. That the provisions of this agreement will come into force from the date of signing of this MoU.

**Details of Community members donating voluntary:**

S.N.	Name of Community Member	Land/asset details	Signature

\_\_\_\_\_  
 Signature of the Shura/CDC Head:  
 print):

\_\_\_\_\_  
 Signature of the MRRD/MPW Officer (Recipient):

Witnesses:

1. \_\_\_\_\_

2. \_\_\_\_\_

(Signature, name and address)

## **Format 5**

### **Abbreviated Resettlement Framework,**

In compliance of OP 4.12, in case of less than 200 PAPs, the following abbreviated Resettlement Framework shall be followed in order to restore housing and issue economic compensation for loss of land and livelihood through a consultative and mutually agreeable process.

#### **Principles**

- all land should be surveyed and mapped and agreement reached with government on explicit eligibility cut-off date.
- where land is disputed or land ownership is not clear, the land will be surveyed and a map hereof issued to the affected families. In case of land disputes, attempts should be made to settle disputes prior to project start.
- customary and collective rights, e.g. to grazing land and commons, should be verified and documented through community-level consultations and local authorities. Customary and collective rights are also subject to compensation.
- compensation for land, housing and assets are based on principles of replacement cost and mutually agreeable solutions based on consultative approach with PAPs.
- where affected land provide income, the equivalent to the value of the crop lost will be given in compensation, based on the value of the harvests lost until the replacement crop (e.g. fruit trees) come into full production.
- if land forms basis for other income, the value of the income hereof will be subject to third party assessment
- if PAPs are squatters/informal settlers on the land, they will receive economic/material compensation to re-establish themselves elsewhere (e.g. on government land) without suffering damage to their livelihood or living standard.

#### **Process**

1. Survey of land and assets & census of Project Affected Peoples, including squatters and informal settlers:
  - the surveyed land and assets should be identified, marked and photographed, and by the defined eligibility cut-off date the areas should be secured against encroachers.
  - the Project Affected People should be identified and registered with full data and photographs
  - development of a compensation package (categories of impacts and appropriate entitlements to formal and informal settlers landholders and squatters), and
  - conduct of initial consultations to identify any salient issues or concerns impacting on affected people. Gender separate consultations should be conducted in order to properly ascertain the views of the women.
2. Calculation of individual entitlements. Continued consultations with the affected people regarding the project, land acquisition and compensation package in order to reach mutually agreeable solution to land/asset acquisition and/or shifting of house. In case any PAP refuses to shift, an abbreviated Resettlement Plan, compliant to OP 4.12, should be developed.

3. The compensation package and abbreviated Resettlement Plan should be submitted to the Bank for approval, using the formats included in the Safeguards Framework (Attachment 2 (ii-iv))
4. The acquisition process is only completed with the actual payment of compensation to Project Affected People and settlement of any grievances they may hold.

### **Appendix 3: Community based contracts and Social inclusion activities**

1. After a review of the initial project experience and the reorientation of the program from employment generation to rural access the National Emergency Rural Access Project (NERAP) will work towards empowering rural communities through the creation of year-round rural access, as accessibility in itself is not desirable but for the benefits it brings to the poor. Communities will be involved in the project through community based contracts and for routine maintenance of works. Similarly a key criteria for fund allocation for both secondary and tertiary roads will be the direct community requests channeled through the planning department of MPW and MRRD and other administrative instances.
2. When community contracts are awarded (i) the Community Development Councils (CDC) will be the entry point for community contracting for routine maintenance works and tertiary road construction where unskilled labor is required and at least one CDC member will be appointed to manage payments and monitor the sub-project. Where a CDC does not exist a select number of community members will be organized/elected to manage the contracts and labor selection); (ii) adopt productivity norms for wage payments and apply market rates for unskilled labor; (iii) engage the CDC or community to identify and prioritize the poorest households to engage in this work; (iv) ensure a transparent and systematic methodology is applied to sub-project selection and implementation;; and (v) CDCs will engage with the NRAP and/or NSP staff in monitoring of activities.
3. The World Bank will routinely supervise and report on the community based contracting modalities, participatory processes, and key issues arising from this form of contracting and ensure that CDCs/community members are developing a good understanding of managing funds provided under this project for maintenance purposes.

#### ***Community Based Contracting through CDCs***

4. In November 2006, the President signed the CDC by-law which established the CDC as the social and development foundation at the community level, responsible for the implementation and supervision of development projects and linkage between the community, government and non-government organizations. In line with this NRAP will target and implement these contracts through the locally elected CDCs wherever they have been established. This will contribute to strengthening local ownership and the capacity of the CDC through participation in the creation of rural access.
5. Further to Government's commitment to facilitate CDC participation in development projects, NERAP will explore the possibility to use the fiduciary and implementation mechanisms that have been established by the National Solidarity Program (NSP) for Level 1 contracts. As this will be a new approach to the financial management of Level 1 contracts and staff (such as the community development and social inclusion officers) engaged in NRAP implementation will need to build their capacity to ensure correct application of transparent and accountable processes. This should be considered an integral part of the program's transition from IP to towards government ownership.

#### ***6. Capacity building***

Communities will require training periodically on managing contracts, budgets, record keeping and on technical needs for road construction and maintenance. This would best be provided by the facilitating partners that are working with NSP as they have a past record in doing so.

Routine training should also be provided to the community development specialists/social inclusion officers who should be pro-active in suggesting specific training requirements and in acquiring funds from other sources for this purpose.

### ***Productivity norms, wage rates and payment***

7. Productivity-based wages that were established successfully under NEEPRA will continue under NERAP as they have now come to be accepted among the project beneficiaries, after some teething problems. Procurement and disbursement procedures should ensure that payments are made on time and wherever possible advance payments should be provided to communities. Under no circumstance should the payment procedures hold back funds or allow a community member to go into debt because of the time they have spent being employed under this project.

8. Initially under NEEP low but flat-wage rates were used to make the program self-targeting. However this did not attract the intended unskilled beneficiaries due to seasonal and regional variations in market wages and varying labor supply. Instead NEEP activities in most regions attracted able-bodied males and could be implemented only in non-winter months, as they competed with existing job opportunities such as in construction, agriculture, and poppy cultivation. Additionally, the flat wage rate originally used did not reflect the different productivity levels of individual workers.

9. The procedure for funding of community-based contracts should be decentralized so that the potential for delays in payments such as those experienced previously in the program will be substantially reduced. Furthermore the IC should provide advance payments directly to communities in-order to prevent any problems with slow payment, fund transfers or the laborer having to borrow money even though he/she is employed under the program.

### ***Pro-poor labor selection (targeted population)***

10. Targeting the poorest households in the selection of workers has proven to be a good practice. Where the project contracts communities, local market wage rates will be applied in joint collaboration with the CDC and the poorest households as identified through participatory wealth rankings will be targeted. Going forward advance payments can be made and the CDC will be responsible for managing and disbursing these funds according to workers outputs.

11. A trend that was initiated under NEEP-1 and NEEPRA and carried forward to NRAP is the use of wealth rankings that identify the poor within a village for work on the selected roads. The wealth rankings are produced by communities, reflecting their perceptions of poverty. This practice draws on participatory rural appraisal techniques, promotes ownership and transparency in recruitment and is in line with the current practices of the mobilized CDCs.

12. In meeting the project objectives to provide year-round access to basic services, communities will also be contracted on a performance basis, for maintenance and snow clearing activities under a similar participatory process that targets the poorest households.

### ***Engaging communities in all stages of sub-project planning and implementation***

13. In order to leverage on local knowledge and generate ownership of all works conducted under the program, engineers and social mobilization officers will inform and involve communities throughout the project cycle for L1 & L2 contracts. Where private contractors are involved a meeting with the CDC and/or communities living around the project site will be arranged prior to the start of the works.

14. Lessons from project implementation have demonstrated that increased participation of social inclusion officers and local communities in all stages of the program cycle regardless of whether they will be employed for this work (for L1 & L2 contracts) can optimize delivery, reduce unnecessary delays in the implementation of contracts and conflicts between communities and contractors, and reduce design flaws through incorporating local knowledge. This will also be a key element of the ESMF.

15. Communities would play an essential role to give advice on the security situation in their area. In the less secure areas, the ministries and the Implementation Consultant would use security intelligence to gauge the situation but often project and contractor staff would be dependent on the advice of the communities. It is therefore vital that the communities are as engaged and supportive as possible of the road rehabilitation.

#### ***Monitoring for community-based contracts***

16. Social Inclusion officers from MRRD and IC will develop indicators and a monitoring plan in collaboration with the CDCs to supervise all phases of the community based contracts and to ensure that maintenance funds are spent appropriately.

17. Locally hired community mobilizers will be put in place (or the same people working on NSP will be used) to provide routine monitoring of labor selection processes, execution of community grants, labor attendance and all other activities that the communities will be engaged through this project on behalf of the regional social inclusion officers. Similarly grievances will be monitored routinely to reduce conflicts and potential delays in payments and project implementation due to adverse environmental and social impacts. In the less secure areas community-based contracting will also be monitored by communities.

#### **Community based maintenance of rural access**

18. To ensure that benefits and investments in this sector are sustained, communities will also be engaged to a select number of routine maintenance of works. Experience in Afghanistan has shown that communities are capable and willing to perform routine maintenance of both tertiary and secondary roads and infrastructure (such as drainage systems, culverts) as they see this as an endeavor towards maintaining a vital asset both socially and economically.

19. Investments in the rural roads and all-year access will be mainstreamed into project design, through a routine maintenance program carried out mainly for the already rehabilitated roads under NEEP/NRAP financed under IDA. A maintenance strategy will be developed jointly by MRRD and MPW which will incorporate findings from the rural maintenance pilot study.

20. MRRD will work in collaboration with the National Solidarity Program (NSP) to develop a joint mechanism using the Facilitating Partners (FP) to provide technical advice and use the CDCs as the entry point for community contracting for routine maintenance and winterization as well as engage the poorest households identified by the CDC or communities.

The maintenance activities carried out by communities will also provide year-round employment to some community members while generating year long and sustainable rural access benefits to the rural poor. In the winter of 2005/6, the NRAP Program Development & Coordination Unit (PDCU) allocated funds<sup>10</sup> to carry out emergency snow clearance activities in highly affected rural areas. These resources were channeled to the NRAP regional offices to enable the Provincial authorities to respond to the emergency snow clearing situations. The standard operating procedures developed for this will be reviewed and adopted to award winterization contracts to communities and facilitate the disbursement of funds through NRAP or NSP regional offices.

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<sup>10</sup> Funds in the amount of USD 200,000 were allocated from the NRAP budget.

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