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IMPLEMENTATION COMPLETION AND RESULTS REPORT  
(TF-54729)

ON A

MULTI-DONOR TRUST FUND GRANT

IN THE AMOUNT OF US\$ 41 MILLION

TO THE

ISLAMIC REPUBLIC OF AFGHANISTAN

FOR AN

AFGHANISTAN SHORT TERM URBAN WATER SUPPLY AND SANITATION  
PROJECT

November 30, 2011

Sustainable Development Department  
Urban and Water Unit  
Afghanistan Country Management Unit  
South Asia Region

## CURRENCY EQUIVALENTS

(Exchange Rate Effective 09/06/2011)

Currency Unit =Afghanistan Afghani

1.00 = US\$ 0.02113

US\$ 1.00 = 47.33

## AFGHAN FISCAL YEAR

March 21- March 20

## ABBREVIATIONS AND ACRONYMS

AFMIS	Afghanistan Financial Management Information System
ARTF	Afghanistan Reconstruction Trust Fund
AUWSSC	Afghanistan Urban Water Supply and Sewerage Corporation
CAWSS	Central Authority for Water Supply and Sewerage
CSR	CAWSS Staff Rules
EIRP	Emergency Infrastructure Reconstruction Project
ESMF	Environmental and Social Management Framework
FMR	Financial Monitoring Report
Grd. Res.	Ground Reservoir
GRMs	Grant Reporting and Monitoring system
GRP	Glass Reinforced Plastic
HDPE	High-Density Polyethylene
ICR	Implementation Completion Report
IDA	International Development Association
ISN	Interim Strategy Note
ISR	Implementation Status and Results Report
KFW	Kreditanstalt für Wiederaufbau
KM	Kabul Municipality
lpcd	Liters per capita per day
M&E	Monitoring and evaluation
MDGs	Millennium Development Goals
MOF	Ministry of Finance
MoUD	Ministry of Urban Development
MUDH	Ministry of Urban Development and Housing
NGO	Nongovernmental organization
NPP	National Priority Program
O&M	Operations and Maintenance
PDO	Project Development Objective
PRTs	Provincial Reconstruction Teams
SDU	Special Disbursement Unit
TTL	Task Team Leader
USAid	United States Agency for International Development
UWSS	Urban Water Supply and Sanitation

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**AFGHANISTAN**  
**Afghanistan Short Term Urban Water Supply and Sanitation Project**

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MAP



## Data Sheet

A. Basic Information			
Country:	Afghanistan	Project Name:	ARTF - Afghanistan Short-Term Urban Water Supply and Sanitation Project
Project ID:	P092162	L/C/TF Number(s):	TF-54729
ICR Date:	09/06/2011	ICR Type:	Core ICR
Lending Instrument:	SIL	Grantee:	GOVERNMENT OF AFGHANISTAN
Original Total Commitment:	USD 20.0M	Disbursed Amount:	USD 41.0M
Revised Amount:	USD 41.0M		
<b>Environmental Category: B</b>			
<b>Implementing Agencies:</b> MoUD - Ministry of Urban Development			
<b>Cofinanciers and Other External Partners:</b>			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	09/13/2004	Effectiveness:	02/21/2005	
Appraisal:		Restructuring(s):		03/27/2010
Approval:	02/18/2005	Mid-term Review:		
		Closing:	12/31/2007	12/31/2010

C. Ratings Summary	
<b>C.1 Performance Rating by ICR</b>	
Outcomes:	Unsatisfactory
Risk to Development Outcome:	High
Bank Performance:	Moderately Unsatisfactory
Grantee Performance:	Moderately Unsatisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Moderately Unsatisfactory	Government:	Moderately Unsatisfactory

Quality of Supervision:	Moderately Satisfactory	Implementing Agency/Agencies:	Moderately Unsatisfactory
<b>Overall Bank Performance:</b>	Moderately Unsatisfactory	<b>Overall Borrower Performance:</b>	Moderately Unsatisfactory

<b>C.3 Quality at Entry and Implementation Performance Indicators</b>			
<b>Implementation Performance</b>	<b>Indicators</b>	<b>QAG Assessments (if any)</b>	<b>Rating</b>
			Potential Problem Project at any time (Yes/No):
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Unsatisfactory		

<b>D. Sector and Theme Codes</b>		
	<b>Original</b>	<b>Actual</b>
<b>Sector Code (as % of total Bank financing)</b>		
General water, sanitation and flood protection sector	100	100

<b>Theme Code (as % of total Bank financing)</b>		
Access to urban services and housing	33	33
Other urban development	67	67

<b>E. Bank Staff</b>		
<b>Positions</b>	<b>At ICR</b>	<b>At Approval</b>
Vice President:	Isabel M. Guerrero	Praful C. Patel
Country Director:	Nicholas J. Krafft	Alastair M. Mckechnie
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Project Team Leader:	Shyamal Sarkar	Christophe E. Bosch
ICR Team Leader:	Raja Rehan Arshad	
ICR Primary Author:	Tahir Akbar	



## F. Results Framework Analysis

### Project Development Objectives (from Project Appraisal Document)

- (i) To provide sustainable, improved water supply and sanitation services to the urban segment of the Afghan population
- (ii) To build the technical and institutional foundation for the medium-term UWSS programme
- (iii) To ensure continuity of investment by benefiting from the implementation arrangements already in place and fully operational

#### (a) PDO Indicator(s)<sup>1</sup>

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1 :</b>	Number of people in urban areas provided with access to improved water sources under the project			
Value quantitative or Qualitative)		700,000 (Target values are from the ISR)		0
Date achieved		11/30/2009		12/29/2010
Comments (incl. % achievement)	Due to non completion of works no connection was provided at closing.			

#### (b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1 :</b>	Increase in level of water supply availability - liters per capita per day (lpcd)			
Value (quantitative or Qualitative)				87
Date achieved				12/29/2010
Comments (incl. % achievement)	Estimated from Water sources completed; but no piped connections provided			

<sup>1</sup> These indicators are extracted from the ISRs. Project Grant Agreement did not contain any indicators and the indicators identified in the project document (prepared by the consultant) were not monitored during the course of project implementation.

<b>Indicator 2 :</b>	New piped household water connections that are resulting from the project intervention			
Value (quantitative or Qualitative)		21,348 (Target values are from the ISR)		0
Date achieved		11/30/2009		12/29/2010
Comments (incl. % achievement)	Due to non completion of works no connection was provided at closing.			
<b>Indicator 3 :</b>	Piped household water connections that are benefiting from rehabilitation works undertaken by the project			
Value (quantitative or Qualitative)		6,200 (Target values are from the ISR)		0
Date achieved		11/30/2009		12/29/2010
Comments (incl. % achievement)	Due to non completion of works no connection was provided at closing.			
<b>Indicator 4 :</b>	Improved community water points constructed or rehabilitated under the project			
Value (quantitative or Qualitative)		280 (Target values are from the ISR)		0
Date achieved		11/30/2009		12/29/2010
Comments (incl. % achievement)	Due to non completion of works, no community water points was provided at closing			

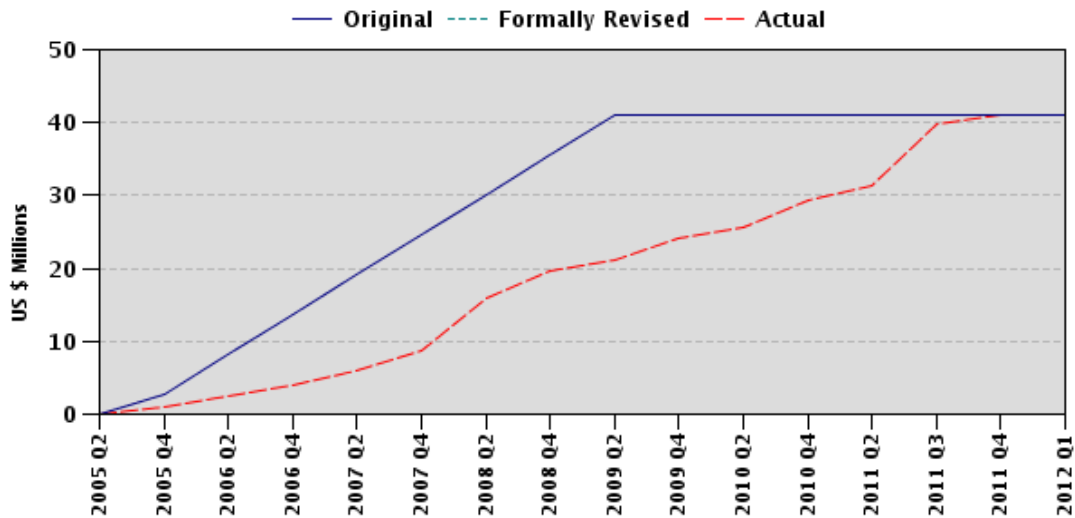
### G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	10/15/2008	Unsatisfactory	Unsatisfactory	20.36
2	05/29/2009	Moderately Satisfactory	Moderately Unsatisfactory	24.11
3	11/30/2009	Moderately Satisfactory	Moderately Unsatisfactory	25.68
4	04/02/2010	Moderately Satisfactory	Moderately Satisfactory	27.40
5	11/09/2010	Moderately Satisfactory	Moderately Satisfactory	31.41
6	01/11/2011	Unsatisfactory	Unsatisfactory	32.21

## H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
03/27/2010	N	MS	MU	27.24	The project was restructured primarily to address the funding gap resulting from cost escalation and to focus on completing the works contracts under implementation for water supply in the project provincial towns through a formal reduction of project scope and amendment of the project Grant Agreement. Restructuring reduced the scope of components 1 and 2 to the extent of works completed to that date.

## I. Disbursement Profile





## **1. Project Context, Development Objectives and Design**

### **1.1 Context at Appraisal**

1.1.1 The combination of persistent conflict, drought and lack of investment and maintenance resulted in inadequate piped water supply serving only about 20% of the population of Kabul (2003 population estimates were in the range 2.5-3.5 million) and 13 other centers (2003 total population estimates were in the range 1.1-2.9 million). This was one of the lowest rates of urban piped water supply in the world. Those with no access to piped supply relied on wells fitted with (or without) hand-pumps or informal sources such as karez<sup>2</sup> and streams. Sewers were limited to four apartment complexes in Kabul and served less than 5% of Kabul's population and wastewater was only partially treated. Larger buildings and high cost housing relied on septic tanks, which were not emptied regularly because of lack of suction trucks. Most urban households relied on pit latrines and bucket systems. A rapidly declining share of the night soil produced was used by farmers. Intermittence of piped service, inadequate water treatment, and contamination of groundwater resulted in a precarious sanitary situation.

1.1.2 Since the end of the conflict the Government's Water Supply and Sanitation (WSS) strategy had been to focus on the rehabilitation and re-establishment of existing systems and services, while at the same time initiating capacity building, institutional strengthening, and carrying out feasibility studies for system expansion. The Government planned to implement a scaled up program of investments to increase coverage of WSS services throughout Afghanistan and make progress towards the Millennium Development Goals (MDGs).

1.1.3 Accordingly the Government's objectives were:

- To increase substantially the coverage of safe, sustainable and affordable water supply and sanitation (WSS) facilities in Kabul and the 13 provincial towns already partially served by a water supply network;
- To construct WSS systems in the 21 provincial centers currently with no supply network;
- Transform the sector institutions, notably Central Authority for Water Supply and Sanitation (CAWSS), into a high-performing WSS utility, financially self-sufficient, and customer oriented;
- To decentralize utility management and to increase the involvement of local governments, communities and consumers; and,
- To integrate the management of water resources in order to promote efficient water use and the conservation of scarce water resources.

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<sup>2</sup> Underground tunnels constructed to gather subsoil water at the foot of hills through gravity.

1.1.4 The National Priority Program (NPP) for the urban sector was envisaged as the key instrument for the government to coordinate the various contributions to the urban water and sanitation sector and the proposed project aimed to support the Islamic Republic of Afghanistan and the forthcoming democratically elected Afghan Government to nurture, prepare and implement the urban WSS component of the NPP. The Short-Term Urban Water Supply and Sanitation Project financed through Afghanistan Reconstruction Trust Fund (ARTF) was a key component of the urban NPP and the Government’s short-term and medium term implementation strategy. Most importantly, the short-term ARTF aimed to ensure a smooth transition through 1383-84 (equivalent Gregorian year 2004-05) until the start of the Medium-Term program in 1385 (equivalent Gregorian year 2006).

**1.2 Original Project Development Objectives (PDO) and Key Indicators (as approved)**

1.2.1 The project development objectives were:

- i. To provide sustainable, improved water supply and sanitation services to the urban segment of the Afghan population
- ii. To build the technical and institutional foundation for the medium-term UWSS program
- iii. To ensure continuity of investment by benefiting from the implementation arrangements already in place and fully operational

1.2.2 The ICRR team did not find any original Bank project document except for the original Grant Agreement, which did not have any Key Indicators. Therefore, the ICRR team has taken the Key Indicators from a Final Version of a Project Document dated February 14, 2005, which is available on files. The key indicators for measuring the PDO in the referenced document are as shown in Table 1.

**Table 1: Original Key Performance Indicators**

<b>Indicator</b>	<b>Units</b>
Agreement on the institutional arrangements to support the implementation of the medium-term program	N/A
Availability of an investment plan for the medium-term program	N/A
Increase in share of population served by household connections	%
Increase in volume of water supplied being properly disinfected	%
Increase in level of water supply availability	Liters per capita per day
Increase in water supply infrastructure coverage	% of population
Increase in sanitation infrastructure coverage.	% of population

**1.3 Main Beneficiaries**

1.3.1 Primary target beneficiaries for the project were the urban populations in the city cores of the provincial towns and high density areas of Kabul. The project design

recommended extensive community consultations during implementation to ensure that no group was excluded on the basis of gender/creed or ethnicity.

#### **1.4 Original Components (as approved in the Grant Agreement)**

1.4.1 According to the original Grant Agreement, the Project consists of the following components:

1.4.2 **Component 1: Kabul Water Supply.** Construction of Upper Kabul River well field and associated transmission mains, reservoirs and distribution network.

1.4.3 **Component 2: Kabul Sanitation – Wastewater, On-site Sanitation and Solid Waste.** Acquisition of equipment and construction of new facilities, including a workshop, a septage disposal station, a solid waste transfer station and the first stage of a new sanitary solid waste land fill.

1.4.4 **Component 3: Provincial Towns Water Supply and Sanitation.** Provision of water supply and sanitation services in provincial towns through: (i) completion of rehabilitation of water supply and sanitation systems and initial expansion of systems in selected provincial towns; and (ii) new construction of systems in towns which are not served by a water supply network.

1.4.5 **Component 4: Engineering Support and Technical Assistance to CAWSS and to Kabul Municipality.**

- Rehabilitation and expansion of water supply systems, through the carrying out of technical studies and construction supervision, consistent with the Environment and Social Safeguards Framework, for selected water supply systems and construction packages.
- Provision of systems operation and management support, including capacity building, human resources management, technical support for financial monitoring, water quality control, and awareness campaigns and involvement of communities.
- Conducting technical studies, engineering design and construction supervision for solid waste management and sanitation investments, consistent with the Environment and Social Safeguards Framework, including updating the Strategic Sanitation Plan.

1.4.6 **Component 5: Financial Support to the CAWSS Operations.** Provision of financial support for the operations of CAWSS, according to eligibility criteria, functioning, implementation, and monitoring arrangements specified in the Operations Manual.

#### **1.5 Components (Based on Project Document)**

1.5.1 The following components are based on the project document dated February 14, 2005 for an amount of US\$ 41 million, available on files.

1.5.2 **Component 1: Kabul Water Supply (US\$ 15 million).** This component comprised the Upper Kabul River package which involved construction of new well fields, transmission mains and reservoirs which would ultimately serve up to 300,000 people. The package included construction of distribution networks to serve 100,000 people (75% house connections, 25% stand-posts). The remaining 200,000 people would be served under a package financed under the medium-term programme 1385-90.

The Upper Kabul River would complement the forthcoming Logar package (financed separately by KfW), under which new distribution networks, linked to existing water infrastructure would serve 200,000 people through a combination of house connections (50%) and stand posts.

1.5.3 **Component 2: Kabul Sanitation-Sewerage, Drainage and Solid Waste (US\$ 5million).** The size of the investment fund was in the order of about US\$ 1.5 million, financed under EIRP, which would cover costs associated with priority interventions, for which the tendering process started in November 2004. The additional ARTF funds would help bridge any potential shortfall in financing the overall package of short-term interventions which were to be tendered in late 2004 and would also cover initial requirements as under the mid-term improvement plan for Kabul Sanitation.

1.5.4 Design, tendering and supervision of the interventions totaling US\$ 5 million would be covered under a 12 month extension of the existing IDA-funded Consultancy contract which included a provision for additional services.

1.5.5 The measures proposed for implementation during 2005 cover three areas:

Solid Waste:

- Construction of a workshop
- Rehabilitation of main road to Gazak dumpsite
- Construction of a solid waste transfer station
- Construction of the first stage of a new solid waste landfill

Wastewater/on-Site Sanitation:

- Purchase of suction trucks (5 nos.)
- Construction of a septage disposal station

Organizational Strengthening:

- Strengthening the operations (Human resources, Finances and technical facilities) of the Department of Sanitation under the Kabul Municipality

1.5.6 **Component 3: Provincial Towns Water Supply and Sanitation (US\$ 15 million).** This component would provide WSS services in 14 provincial towns through the following:

- completion of rehabilitation of system in selected provincial towns
- Extension of systems, if and where possible in the project towns
- Provision of new systems in town which were not served by a water supply network



1.5.7 The 14 towns comprised 9 out of 11 towns under the IDA supported Emergency Infrastructure Rehabilitation Project (EIRP) (Kandhar, Qalat, Shibergan, Mazar-e-Sharif, Kunduz, Taloqan, Charikar, Mehterlam and Jalalabad) plus five additional towns (Maimana, Sari Pul, Aybak, Pul-e-Khumri, Zaranj). ARTF funds would complement funds provided by KfW, USAID, IDA and other donors. Note that Funding for works in Ghazni and Gardez, the other two towns addressed by the IDA-supported EIRP but not included in the 9 towns above, would be provided by USAID. New systems in unserved towns would be funded in parallel by KfW in the Western Region, and by USAID in the South and East. JICA was considering funding bulk water systems in Mazar and Jalalabad.

1.5.8 Design, tendering and supervision of the selected interventions would be covered under a 15-month extension of the existing competitively procured IDA Consultancy.

1.5.9 **Component 4: Engineering Support and Technical Assistance to Central Authority for Water Supply and Sewerage (CAWSS) and to Kabul Municipality (US\$ 3 million).** The Consultancy service contracts for the 11 Provincial Towns and Kabul Sanitation Improvement projects, funded through the IDA-supported EIRP, would be extended for 15 and 12 months respectively. This would provide consultant support for sanitation works in Kabul, water supply works in the 14 towns where ARTF would fund goods and works, and supervisory roles on behalf of the CAWSS in Ghazni, Gardez, where all goods and works would be funded by USAID. The consultancy to support the execution of the water supply works in Kabul would be funded by KfW.

1.5.10 **Component 5: Financial Support to the CAWSS Operations (US\$ 3 million).** At the time of project preparation, CAWSS was facing significant financial issues. Due to low revenues (or even no revenues at all in some cities) salaries and other operational costs were partly and irregularly paid. No financial resources were available to recruit more staff as required to operate the rehabilitated and extended UWSS systems throughout the country.

1.5.11 This component intended to provide transitional financial support (until Medium-Term Programme (MTP) is implemented ) to CAWSS operations in the 13 cities where CAWSS was operating WSS systems as well as in the 5 new provincial towns currently not served by a UWSS system and addressed by the component 3. Although the preparation of the MTP was not to exceed 18 months, funds had been estimated for a period of 24 months in order to address any unexpected delay.

1.5.12 More specifically this component aims at providing the financial resources to:

- Ensure O&M costs are covered including a decent salary for the CAWSS staff
- Enable the recruitment of new qualified staff
- Create incentives to perform among the CAWSS employees

- Break the vicious cycle where meager and irregularly paid (if any) salaries create low motivation and attendance, do not attract and retain qualified staff
- Build the capacities of the CAWSS branches in improving financial management, accounting and budgeting systems

1.5.13 Other expected outcomes are:

- Performance benchmarking data
- Capacity Building

## 1.6 Other significant changes

1.6.1 Change in geographical scope: Original geographical scope for Component 3 included 14 towns namely: Kandhar, Qalat, Shibergan, Mazar-e-Sharif, Kunduz, Taloqan, Charikar, Mehterlam, Jalalabad, Maimana, Sari Pul, Aybak, Pul-e-Khumri, and Zaranj. During the course of implementation, four towns were dropped due to the following reasons:

<b>Dropped Town</b>	<b>Reason</b>
<u>Kunduz</u>	KFW took up the full funding of Kunduz during project implementation
Zaranj	Planned investments in this town were dropped as they were triggering OP/BP 7.50: Projects on International Waterways
Sari Pul	USAID took up the full funding of Sari Pul during project implementation
Aybak	USAID took up the full funding of Aybak during project implementation

1.6.2 Two towns Gardez and Ghazni were added to the project in lieu of Sari Pul and Aybak, thus bringing the total number of towns to 12 for Component 3.

1.6.3 Change in scope of work: Project implementation faced a number of issues during implementation, which are described below, due to which the project's scope of work was reduced.

1.6.4 The project cost at the time of restructuring had increased from the original estimate of US\$ 41 million to US\$ 96.7 million, as a result of: (i) underestimation of the original project costs; (ii) change of scope in the provincial towns (design changes for the networks on account of various factors such as relocation of wells/reservoirs due to land availability, relocation of wells due to aquifer constraints, connecting existing networks with new networks, and bridging the gaps to reach tertiary networks); and, (iii) price escalation on account of delays in procurement. Project implementation was also affected by difficulties in finding responsive bidders for goods and works. The contract of the supervision consultant for water supply to provincial towns went through amendments seven times due to the above delays.

1.6.5 The project was restructured in March 2010 primarily to address the resulting funding gap by reducing the scope of some components, and focusing on completing the under implementation works contracts for water supply in the provincial towns. Reduction in project scope for Components 1, 2 and 3 is summarized in the following table.

<b>Project Component</b>	<b>Original Scope</b>	<b>Revised Scope</b>
Component 1	Part A: Kabul Water Supply Construction of the Upper Kabul River well field, and associated transmission mains, reservoirs and distribution networks.  <b>Cost: 15 Million</b>	Part A: Kabul Water Supply Construction of boreholes in the Upper Kabul River well-field  <b>Cost: US\$ 0.8 Million</b>
Component 2	Part B: Kabul Sanitation – Wastewater, On-site Sanitation and Solid Waste Acquisition of equipment and construction of new facilities, including a workshop, a septage disposal station, a solid waste transfer station and the first stage of a new sanitary solid waste landfill.  <b>Cost: US\$ 5 Million</b>	Part B: Kabul Sanitation, On-site Sanitation and Solid Waste Supporting the improvement of Sanitation and solid waste disposal services in Kabul through the acquisition of equipment, construction of new facilities including a workshop, and rehabilitation of a solid waste dumpsite.  <b>Cost: US\$ 4 Million</b>
Component 3	Part C: Provincial Towns Water Supply and Sanitation Provision of water supply and sanitation services in provincial towns through: (i) completion of rehabilitation of water supply and sanitation systems and initial expansion of systems in selected provincial towns; and (ii) new construction of systems in towns  <b>Cost: US\$ 15 Million</b>	Part C: Provincial Towns Water Supply Provision of water supply services in provincial towns through: (i) completion of rehabilitation of water supply systems and initial expansion of systems in selected provincial towns; and (ii) new construction of systems in towns which are not served by a water supply network.  <b>Cost: US\$ 30 Million</b>

## 2. Key Factors Affecting Implementation and Outcomes

### 2.1 Project Preparation, Design and Quality at Entry

2.1.1 Soundness of the Background Analysis: The project was prepared as a complementary operation to the Emergency Infrastructure Reconstruction Project<sup>3</sup>(EIRP) and included nine out of 11 towns covered in EIRP. However, implementation arrangements of the project were different from that of EIRP. In EIRP consultants were responsible for the procurement and implementation of goods and works. Whereas, in this project overall project management responsibility rested with the Ministry of Urban Development and Housing (MUDH) and CAWSS for components 1, 3, 4 & 5 and Kabul Municipality for component 2. The consultants were only assisting the implementation agencies and the former's responsibilities included: (a) detailed technical studies and engineering designs; (b) assistance to MUDH in evaluation of bids; (c) supervision of supply and construction works contracts; and, (d) system operation and management support. Procurement of goods and works for the project was done through the Afghanistan Reconstruction and Development Services (ARDS)<sup>4</sup> – a central procurement agency of the Government of Afghanistan. The rationale for changing the institutional arrangements from EIRP to this project as described above is not clear from project documentation, when the scope of work under this project was significantly more than EIRP. The project design included a component to build the capacity of the implementing agencies to implement the enhanced scope of work. However, the envisaged capacity building proved to be too ambitious.

2.1.2 **Unpredictable Security Environment:** The project was designed in a post-conflict setting. Consequently, it was difficult to foresee how the evolving security environment would affect project implementation.

2.1.3 Assessment of the Project Design: Project development objectives were simple and clearly defined. They supported the project's rationale, which was to assist the Government's strategy to broaden its focus from rehabilitation and reconstruction of existing Water Supply and Sanitation (WSS) services to a scaled up program of investment to increase the coverage of WSS. It was proposed to ensure continuity of investments in the WSS sector until the Medium-Term program is launched by the Government of Afghanistan.

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<sup>3</sup> The Emergency Infrastructure Reconstruction Project (EIRP) worth US\$ 37.11 million was implemented from 06/11/2002 till 06/30/2006. The objective for the project was to improve selected infrastructure service delivery in order to enhance the quality of life, health status, and welfare of population and to support the economic recovery of the country. This was to be achieved by:  
a) Carrying out urgent reconstruction and rehabilitation works to restore critical urban services and power;  
b) Providing employment opportunities through labor-based reconstruction activities; and  
c) Providing urgently needed policy advice and capacity building to the Government in selected sectors to promote sustainable infrastructure service delivery which fosters community and private sector participation.

<sup>4</sup> ARDS has a Procurement Unit (PU) that deals with various procurement activities on behalf of Line Ministries and other Government Entities of Islamic Republic of Afghanistan on receipt of requests from them seeking such support.

2.1.4 In hindsight, the project had several design issues at the entry stage as described below:

- **Ambitious Geographical Scope and Number of Components:** The project design covered construction works for Kabul city and 14 provincial towns spread across Afghanistan. This represented an ambitious geographical scope, especially for Component 3, which had planned water supply schemes for 14 towns. The ambitious geographical scope over-extended the already fledgling capacity of the government and construction industry. Furthermore, underestimation of costs at the time of project preparation resulted in less than optimum financing for each town water supply scheme.
- **Unrealistic Timelines:** The original grant agreement envisaged the project to be completed in 28 months. This timeline was too short considering that: (i) 25 contracts had to be designed, tendered and executed; (ii) all supply materials had to be imported; and, (iii) the implementation entities and local construction industry were in the early stages of development resulting in capacity gaps.
- **Need for Capacity Assessment:** There is no evidence of a capacity assessment having been conducted of the implementation entities and the construction industry. Implementation arrangements for the project were different from EIRP and therefore required a better capacitated implementation agency. A detailed capacity assessment might have been helpful to adjust the project design, implementation approach and especially the time schedule based on the ground realities in Afghanistan.
- **Need for Proper Planning:** Attention should have been given to certain potential constraints at the design stage. For example, reduced construction window for works due to winter months, in which construction is not possible at the normal pace, was not taken into consideration while estimating the construction period in contracts. Materials had to be imported and delays owing to customs, logistics, coordination with the pipe laying activities, etc., were not considered at the design stage. Similarly, land acquisition was not considered as a major problem at the design stage but during the course of implementation it remained one of the major issues delaying implementation of some sub-projects.

2.1.5 Government's Commitment: The government's National Priority Program (NPP) was perceived to become the key instrument for the government to coordinate the various contributions to the UWSS sector. The project was designed to support the implementation of the urban WSS component of the NPP and to ensure a smooth transition to the Medium Term Investment Program (MTIP). While progress on the Medium term Framework for the WSS sector has been slow, implementation of institutional reforms and the transformation of CAWSS into AUWSSC, while not attributable to the current project, may be seen as evidence of the overall ownership and commitment from the government.

2.1.6 **Assessment of Risks:** The project conducted a preliminary risk assessment at the design stage. However, the preliminary risk assessment did not take into account risks associated with delays in payments to contractors due to cumbersome approval procedures, inadequate capacity in the construction industry, and lack of experience within implementing entities in contract management. The risks of inadequate budgeting, funds flow, accounting policies and procedures within MUDH<sup>5</sup> were not adequately evaluated. Although weak implementation capacity was identified as a major risk, project design lacked an effective mitigation plan in this regard. The project attempted to bridge the capacity gaps by hiring technical advisors and engineering support consultants. However, these measures could not adequately compensate for the existing capacity gaps. A detailed upfront assessment of needs might have provided requisite insights on how to compensate for the capacity gaps. Similarly, inconsistencies in the institutional arrangements in the UWSS sub-sector were identified as a risk, but project design lacked appropriate mitigation measures.

## 2.2 Implementation

2.2.1 Due to inherent problems in the project design mentioned in section 2.1 the project confronted significant implementation delays. It was extended three times but succeeded to complete only restructured and reduced works in Components 1 and 2. Project restructuring in March 2010 considered the works in Components 1 and 2 that had been completed up to that time and accordingly limited the scope of Components 1 and 2 to the completed works. At the time of restructuring the project cost had increased from the original estimate of US\$ 41 million to US\$ 96.7 million, as a result of: (i) underestimation of the original project costs; (ii) change of scope in the provincial towns (design changes for the networks on account of various factors such as, relocation of wells/reservoirs due to land availability, relocation of wells due to aquifer constraints, connecting existing networks with new networks, and bridging the gaps to reach tertiary networks), (iii) price escalation on account of delays in procurement; and (iv) difficulties in finding responsive bidders for goods and works. The contract of the supervision consultant for water supply to provincial towns went through amendments seven times due to these delays. The project restructuring was done to address the funding gap and to focus on completing the works contracts under implementation for water supply in the provincial towns through a formal reduction of project scope and amendment of the project Grant Agreement. Despite reducing this scope, it needs to be noted that the signed commitment through all works contracts at restructuring was USD 7 million more than the grant amount available.

2.2.2 **Project Closing Date Extension:** Implementing local level infrastructure development project is always a challenge in a country emerging out of a major conflict. Interim Strategy Note (ISN) for Afghanistan also acknowledges that Bank's contribution

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<sup>5</sup> Ministry of Urban Development and Housing (MUDH) was renamed to Ministry of Urban Development (MoUD) during the course of project implementation.

towards achieving the targets set by the Afghanistan Urban Development Strategy shall remain a challenge especially in a situation where parts of the country have become unsuitable for implementing Bank-supported operations mainly due to security situation. Although three extensions were provided to the project, the request for a fourth extension was not approved resulting in the project closing at a time when implementation arrangements had been strengthened due to creation of AUWSSC and most goods and materials were in place for the civil works. If the project had been extended, there was a high likelihood that the civil works would have been completed resulting in the respective outcome being achieved. This would have had a different bearing on the final rating of the project outcome.

2.2.3 Apart from complex design and ambitious project scope the factors affecting the project implementation included.

- **Implementation Problems in a Conflict Situation:** Deteriorating security situation, particularly in some provincial towns under component 3, was a critical factor during implementation. World Bank Task Team was not able to visit the sites due to security risks in various provincial towns. As reported by consultants and contractors, the added risk in provincial towns also resulted in added cost premiums for undertaking works and difficulties in getting qualified staff to work at these sites. The above factors adversely affected implementation of the project as originally envisaged.
- **Need for Greater Support from Bank:** Although the Bank Task Team provided significantly more support in addition to the normal supervision effort, the complex project design, ambitious scope, lack of adequate capacity within the implementation entities, and the prevailing security environment demanded still greater effort from the Bank.
- **Delays in Payments:** A major factor that exacerbated delays was the centralized system of approving and making payments. Time-consuming approval and payment procedures resulting in delays in payments to contractors negatively affected project implementation. The payment delays were reported to be as long as 3 years in some cases.
- **Unclear Roles:** On the Government's side, the confusion over roles and responsibilities between the MoUD and CAWSS adversely affected project implementation. Contracts were signed by MoUD, whereas CAWSS was responsible for project management. The latter depended on the supervision consultant to perform contract management in addition to supervision of the contracts, which diluted the attention of CAWSS to take remedial measures when contracts were not performing.
- **Transition from CAWSS to AUWSSC:** CAWSS was being phased out during the course of the project and was to be replaced by an autonomous corporate entity Afghanistan Urban Water Supply and Sewerage Corporation (AUWSSC).

The phasing out of CAWSS and the resulting implementation arrangements during this period, comprising a Project Manager with a small team, were inadequate for this purpose and adversely affected the overall performance of the contracts.

- **Issues with Bidding and Awarding of Contracts:** A number of problems with bidding were reported that had an adverse effect on project implementation. A large number of bids were non responsive in the initial procurement attempts, which led to repackaging of contracts and rebidding. Furthermore, long delays were reported between the evaluation of bids and the awarding of contracts.
- **Underestimation and Delayed Delivery of Materials:** The consultant's estimates for various inputs for the distribution network were underestimated. In addition the delivery schedules of the materials estimated by the consultants were unrealistic and resulted in delayed delivery of pipes. This was further compounded by damages to about 17% of GRC pipes during transportation. Due to shortage of materials at the site, piping mains could not be completed for the provincial towns' component.
- **Increase in Project Cost:** There was a significant price increase during the course of implementation of the project. The reasons were: delayed delivery of materials; significant costs increase for imported materials; physical deviation in the layout of the systems partly due to water source and/or land acquisition problems; increase of local labor costs combined with devaluation of US\$ to Afghani; and, increase in security problems particularly for works in the south cluster.

## **2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization**

2.3.1 Monitoring and reporting arrangements at the design stage primarily consisted of regular reporting on implementation, and maintenance of books and accounts for the project to reflect the operations, resources and expenditure related to the project. The project document did envision setting up during the course of implementation, a more systematic reporting procedure and monitoring system embedded into the organizational structure of CAWSS, which could support an effective implementation of the forthcoming medium term UWSS program. While a full monitoring and evaluation system was designed for Kabul under the medium-term program, continuation of the M&E for Component 1 was not pursued as the Kabul Water Supply Component was significantly reduced. As regards water supply to provincial towns under Component 3, the planned M&E system was not fully operationalized in a timely manner.

## **2.4 Safeguard and Fiduciary Compliance**

2.4.1 **Financial Management:** Records of the project's funds receipts and disbursements from inception until closure were maintained at the Ministry of Finance, Special Disbursement Unit (SDU). Record of project's disbursements was also



maintained at the implementing agencies – Ministry of Urban Development and Kabul Municipality. Records under UWSS, like other emergency projects in Afghanistan, were maintained manually at the SDU from inception until March 2005 when the SDU started using the Afghanistan Financial Management Information System (AFMIS) developed independently for all projects and line ministries’ financial transactions. Supporting documents were maintained satisfactorily for all payments.

2.4.2 Funds flow to all implementing agencies was controlled centrally by the MOF (SDU). An assessment of the process reveals that this has been managed appropriately since the project began. Financial reporting was poor initially: monthly and quarterly financial reports – including the mandatory financial monitoring reports to be submitted quarterly to the Bank – were not prepared regularly and did not contain all required information. However financial reporting improved considerably over time. The FMRs were prepared and submitted regularly since the 4th quarter of SY1386. Annual audited financial statements were submitted regularly, though later than the mandated submission deadline except for solar year 1388.

2.4.3 The audit opinion of the Control and Audit Office of Afghanistan was qualified (unclean) for SY1384, 1385 and 1387, and unqualified (clean) for SY1386 and SY1388. The SY1388 audit report was submitted on Sep 16, 2010, before the due date of Sep 22, 2010. There were no key issues raised in the audit report, all the audit observations were responded to satisfactorily during the audit and no further response is required from the client.

2.4.4 Given that the financial management systems in place were weak when the project became effective, one could conclude that FM capacity has been built steadily over the life of the project.

2.4.5 **Procurement:** Cooperation with ARDS remained healthy and contracts were awarded based on joint evaluation and recommendation of MoUD and ARDS. The project enabled MUDH to build capacity in handling procurement process. There were a few contracts for which the entire procurement process was handled by MUDH. This was an important achievement of the project. However contract awarding process within MoUD was lengthy, taking up to six months for award of some contracts<sup>6</sup>. In the initial stages of the project a number of non-responsive bids and subsequent rebidding led to substantial delays in the works implementation resulting in amendments in the procurement plan. Despite these delays all works contracts were awarded to and executed by the Afghan contractors who gained invaluable experience through the provincial towns sub-projects.

2.4.6 **Environment:** An ESMF document was prepared for the project but was not properly implemented due to lack of capacity in the ministry and due to lack of arrangements for the ESMF implementation. During project implementation, the client

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<sup>6</sup> MUD 412, MUD 402, MUD 399

had established a department of Environment and Sanitation but it could not deliver on the ground.

2.4.7 The major issue was the protection of groundwater by identifying and delineating the boundaries of the groundwater safety zone around the major aquifers, but no action was taken on the issue as there was a lacking decision making mechanism and poor cooperation between the relevant agencies on the client's side on the ESMF implementation.

2.4.8 **Social Safeguards:** Major safeguard issues revolved around the land acquisition and their adequate documentation. The client did not adequately follow up on recommendations regarding conducting public consultations, and provision of adequate information on land acquisition process. Implementing entity acquired land in five provincial towns for boring of 17 wells, construction of a reservoir and one pumping station. The well field activities of all 17 wells, construction works of the pumping station and a reservoir were completed, but in some instances affected land owners did not receive compensation. One major concern with resolving social safeguards issues was that CAWSS was dependent on the ministry for social safeguards expertise, and had not hired a social safeguard focal point within its own structure. Although, the client agency gained good experience of social safeguard procedures and the abbreviated resettlement framework in Kabul water supply component, they failed to apply these for provincial towns component.

## **2.5 Post-completion Operation/Next Phase**

2.5.1 MoUD is approaching various donors and Provincial Reconstruction Teams (PRTs)<sup>7</sup> to finance the unfinished projects in the 12 provincial towns for completion. KFW has already agreed to finance the completion of Mazar-e-Sharif, Taloqan and Pul-e-Khumri. AUWSSC has taken over the operation and maintenance of the water supply services and will seek to complete the water supply schemes.

## **3. Assessment of Outcomes**

### **3.4 Relevance of Objectives, Design and Implementation to Current Strategy**

3.4.1 The project development objective to provide sustainable, improved water supply and sanitation services to the urban segment of the Afghan population; to build the technical and institutional foundation for the medium-term UWSS program; and to ensure continuity of investment by benefiting from the implementation arrangements already in place and fully operational are aligned with the current Afghanistan Urban Sector Strategy that aims to provide piped water and sanitation facility to 50% of the households in Kabul and 30% of the households in other major urban areas by 2013.

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<sup>7</sup> PRTs are lead by the foreign army divisions posted in that province.

3.4.2 Bank's Interim Strategy Note (ISN) also identifies improving access to sanitary facilities and water as critical for household welfare in Afghanistan. However, Bank's contribution towards achieving the targets set by the Afghanistan Urban Development Strategy poses a challenge especially when there are major constraints for Bank-supported operations in parts of the country due to security concerns. The issues faced by this project reflect the nature and scale of challenges confronting Bank's involvement in the urban WSS sector in Afghanistan.

### **3.5 Achievement of Project Development Objectives**

3.5.1 **Project Development Objective 1:** To provide sustainable, improved water supply and sanitation services to the urban segment of the Afghan population. Unsatisfactory

3.5.2 Component 1, 2 & 3 directly contribute to this part of the project development objective. Due to significant delays and huge cost over runs Component 1 & 2 were restructured and reduced to the extent of works completed at that point. The works completed under these two components do not result into the provision of sustainable improved water supply and sanitation services to the urban segment of the Afghan population. Similarly for component 3 physical progress in terms of supplies and works is estimated at about 70%, with no water supply works contracts completed. Major portion of unfinished works is on principal and transmission mains due to shortage of supplies. The consultant's estimates for various inputs for the distribution network went wrong. This shortage was compounded by damages occurred to 17% of GRC pipes during transportation. Due to the shortage of materials on the site piping mains could not be completed for the provincial towns component.

3.5.3 During implementation, KfW agreed to take up the funding for Component 1. As a result, ARTF project's share was reduced, and the KfW share was increased. Work is underway on the Kabul water supply distribution system under this arrangement. While full allocation for Component 2 was utilized, the scope was modified. Most notably, KM successfully completed the rehabilitation of Chamtala dumpsite under this component. Details of the works completed in all the components are provided in Annex 2.

3.5.4 The project measured the progress towards the PDO through a series of indicators listed in the table 2. Due to lack of reliable data at appraisal, baseline values for the key indicators were not available and the implementation entity did not focus on collecting baseline information during the course of implementation.

**Table 2: Project Performance Assessment based on Key Selected Indicators<sup>8</sup>**

Indicator	Unit	Target	Progress at Project Closing	Comments
Increase in level of water supply availability - liters per capita per day (lpcd)	No.	-	87	Estimated from Water sources completed; but no piped connections provided
New piped household water connections that are resulting from the project intervention	No.	21,348	0	Due to Non completion of works no connection was provided at closing
Piped household water connections that are benefiting from rehabilitation works undertaken by the project	No.	6,200	0	
Improved community water points constructed or rehabilitated under the project	No.	280	0	Project activities have not been completed
Number of people in urban areas provided with access to Improved Water Sources under the project	No.	700,000	0	

3.5.5 As shown in the table 2, the project has shown little progress towards the indicators measuring the achievement of PDO. Therefore, the achievement of this part of the PDO is rated as Unsatisfactory. However, if the project had been extended, there was a high likelihood that the civil works would have been completed resulting in the respective outcome being achieved. This would have had a different bearing on the final rating of the project outcome.

3.5.6 **Project Development Objective 2:** To build the technical and institutional foundation for the medium-term UWSS program. Moderately Unsatisfactory.

3.5.7 Component 4 & 5 contributed towards this objective but the project did not track any indicators linked to this part of the PDO. A complementary IDA supported project provided the major institutional development support resulting in transformation of CAWSS into AUWSSC. As the ARTF UWSSP did not entail creation of AUWSSC, it is not possible to isolate the impact of this project in strengthening of the technical and institutional foundation for medium-term UWSS program.

3.5.8 To support the operations of MoUD, CAWSS, and Kabul Municipality seven advisors and nine consultants were hired through ARTF Technical Assistance and Feasibility Studies (TAFS). In addition to this, engineering design, supervision and construction management support for the ongoing works in the provincial towns and

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<sup>8</sup> These indicators are from the ISRs. The indicators identified in the project document were not monitored during the course of implementation. Grant Agreement does not mention any indicators to monitor project performance.

Kabul was provided by the consultant firms. Consultant support for Kabul Municipality was terminated in 2008, however, consultancy contract for provincial towns' component continued until the grant closing.

3.5.9 Component 5 intended to financially bridge the operation of the water supply in 14 CAWSS units until system rehabilitation and extension was completed and sound revenue basis was re-established. This support contributed significantly towards improving the management capacity of all 14 units of CAWSS and generated detailed technical, financial and commercial data at the decentralized level for the first time.

**3.5.10 Project Development Objective 3:** To ensure continuity of investment by benefiting from the implementation arrangements already in place and fully operational. Moderately Unsatisfactory.

3.5.11 The project was prepared as a complementary operation to EIRP and built on to the implementation arrangements put in place by the earlier operations to ensure that investments in the WSS sector did not dry out until the medium term program for UWSS was launched. However, except for the restructured and reduced scope of works in component 1 & 2, the project failed to complete the intended investment projects in the given timeframe and even after three extensions of one year each. Although the project disbursement at closing stood at 100% the works could not be finished due to price escalation, shortage of supply materials and other reasons explained earlier. US\$ 41 million disbursed under the project included the major cost overrun of 7.3 million for the consultancy contracts.

### **3.6 Efficiency**

3.6.1 Completed works in component 1 are yet to provide benefits of piped water supply to the resident of Kabul. Component 2 was reduced to the extent of works completed at the time of restructuring. Further, none of the sub-projects in component 3 has been completed to date. Therefore, any formal assessment of efficiency (net present value, economic rate of return or cost effectiveness) is not carried out for this project.

### **3.7 Justification of Overall Outcome Rating**

Rating: Unsatisfactory

3.7.1 The project objectives were relevant to the government's program and the sector strategy. Due to implementation delays and cost over runs, the project was not able to deliver WSS benefits in terms of piped water supply and improved sanitation to the beneficiary households. However, it did improve the availability of urban bulk water by adding new water source infrastructure. To some extent, the project strengthened the capacity of government institutions at the center and provincial levels, and built the capacity of private construction industry. However, the project did not explicitly measure performance on the capacity building side.

### 3.8 Overarching Themes, Other Outcomes and Impacts

3.8.1 **Poverty Impacts, Gender Aspects, and Social Development.** The project design recommended community consultation to ensure that no group is excluded on the basis of gender creed or ethnicity. However, community participation in the project remained continually weak primarily due to delays and lags in the infrastructure development component that was the main thrust of the project.

3.8.2 The project raised hopes and expectations among the implementing agencies and beneficiaries, which were not realized by the end of the project. The incomplete infrastructure projects of Component 3 may have disillusioned the communities, which could lessen their interest in future projects.

3.8.3 **Institutional Change/Strengthening.** The project contributed to improving the management capacity of all 14 units of CAWSS and generated detailed technical, financial and commercial data at the decentralized level for the first time. Although CAWSS has phased out with the responsibility for water supply services handed over to AUWSSC, yet the operational management experiences and lessons learnt through the project may contribute to improved management of water supply services in future.

## 4. Assessment of Risk to Development Outcome

Rating: High

4.1 Full Achievement Outcomes: Pending project outputs need to be completed immediately to achieve the intended project outcomes. MoUD does not have sufficient financing to complete the unfinished works in the 12 provincial towns and is approaching various donors for financing. KfW has taken up the Kabul Water supply component<sup>9</sup> and three provincial towns. Even if the project level outcomes are achieved the following substantial risks threatens the long term sustainability of the development outcomes:

4.1.1 Weak Institutional Capacity: Availability of qualified technical staff had been an issue as the government environment is not attractive due to low salaries. There are also security concerns that demotivated the staff to work at the local level. Most of the staff working on the project are on contract and funded by donors. Sustained funding would be required to support their salaries, and there is a risk that the staff may leave as soon the funding support is withdrawn.

4.1.2 Sustainability: The sustainability of infrastructure created under the project is threatened by inadequate future maintenance – until such time that appropriate policy is enacted that mandates a rationalization across capital and asset maintenance investments. Periodic revisions of tariff may be required to cover the O&M costs of the WS schemes.

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<sup>9</sup> KfW was providing complementary funding for Kabul

## 5. Assessment of Bank and Borrower Performance

### 5.1 Bank Performance

#### (a) Bank Performance in Ensuring Quality at Entry

Rating: Moderately Unsatisfactory

5.1.1 The Bank's performance in ensuring quality at entry is rated as moderately unsatisfactory based on a cumulative analysis of Bank's performance against key selected criteria relevant to the developmental and country context, as listed in Table 3.

**Table 3: Evaluation of Bank's Quality at Entry**

Criterion	Rating	Justification
Strategic Relevance and Approach	Satisfactory	Project objectives were closely aligned with the priorities of government and Bank's country assistance strategy.
Technical Aspects	Moderately Unsatisfactory	<p>Project scope was too ambitious with reference to the ground realities in Afghanistan.</p> <p>There was weak planning at the design stage. For example: limited time window for construction due to winter months was not taken into consideration; all materials had to be imported and delays owing to customs, etc., were not considered at the design stage; and implementation timelines (28 months) for the project were unrealistic.</p> <p>The sector is struggling with inadequate capacity within the government as well as the private sector. Absence of a systematic capacity assessment led to unrealistic expectations from the government as well as the private sector. Capacity building should have preceded the implementation of sub-components.</p>
Fiduciary Aspects	Not-Rated	A detailed and documented fiduciary appraisal exclusively for this project was not carried out since the project was to maintain fiduciary standards and arrangements as in the EIRP.
Policy and Institutional Aspects	Moderately Unsatisfactory	Project design and strategic parameters were in sync with the national policies and strategies on UWSS. However a thorough appraisal of institutional aspects, particularly institutional coordination and capacities, clarity of roles and responsibilities, and strategic oversight mechanisms, was warranted.
Social Aspects	Moderately	The project at design stage expected only minor land

	Unsatisfactory	acquisition and no resettlement. However, land acquisition for component 1, 2 & 3 remained a major issue during the course of implementation.
Stakeholder Consultations	Moderately Unsatisfactory	There is no evidence of civil society or stake-holders consultations in the project design document.
Implementation Arrangements	Moderately Unsatisfactory	Implementation arrangements of the project were different from that of EIRP. In EIRP consultants were responsible for the procurement and implementation of goods and works while in this project consultant were supposed to be only assisting the project implementing entity i.e MoUD. No formal assessment of readiness of MoUD for overall project management was carried out.
Monitoring and Evaluation Arrangements	Moderately Unsatisfactory	Monitoring indicators <sup>10</sup> identified were relevant and linked to the PDO except for the institutional strengthening part. Due to the lack of reliable data at appraisal, baseline values for the key indicators were not available. The implementation entity did not focus on collecting baseline information during the course of implementation and no formal reporting linkages for those indicators were developed during the course of the project.
Risk Assessment	Unsatisfactory	A preliminary risk assessment conducted at the design stage did not adequately identify risks and their mitigation measures. Inherent risks such as project financial management risks and risks during procurement and contract management could have been elaborated at the design stage. The risks of inadequate budgeting, funds flow, accounting policies and procedures within MUDH <sup>11</sup> were not adequately evaluated.

## (b) Quality of Supervision

Rating: Moderately Satisfactory

5.1.2 The Bank's supervision performance is rated as moderately satisfactory based on a cumulative analysis of Bank's performance against key selected criteria relevant to the developmental and country context, as listed in Table 4.

<sup>10</sup> Monitoring indicators as defined by the project document

<sup>11</sup> Ministry of Urban Development and Housing (MUDH) was renamed to Ministry of Urban Development (MoUD) during the course of project implementation.



**Table 4: Evaluation of Quality of Bank Supervision**

<b>Criterion</b>	<b>Rating</b>	<b>Justification</b>
Adequacy of Supervision Inputs	Moderately Satisfactory	The Bank deployed considerable resources and the Task Team provided extraordinary support in a bid to augment supervision arrangements, implementation issues identified were not dealt with in a timely and adequate manner owing to low decision making capacities at implementation agencies
Supervision of Fiduciary Aspects	Satisfactory	Performance of Fiduciary Aspects was generally satisfactory. Support from Financial Management and Procurement was timely and continuous.
Candor and Quality of Performance Reporting	Moderately Satisfactory	Internal project performance ratings within ISRs preceding the exit ISR were forward-looking since proposals for project extension as well as additional financing had been under consideration. However, the subsequent decision for project closure changed the forward looking context due to which the exit ISR rating changed from MS/MS to U/U.
Participation in Broader Sector Policy Dialogue	Moderately Satisfactory	Broader sector dialogue is being undertaken through an ongoing IDA Urban Water Supply and Sanitation project. As the ARTF financed project and the IDA project had interlinkages, broader sector dialogue was being taken forward collectively.
Risk Mitigation – Resolution of Threats	Moderately Satisfactory	Major implementation problems resulted from ambitious geographical scope and complex design of the project. Several external risks, such as security risks in a post-conflict setting, plagued the project performance that should have been considered at the time of project preparation. In the later stages of the project cycle, the supervision team resolved the ambitious scope issue by restructuring and reducing the scope of component 1 & 2.

**(c) Justification of Rating for Overall Bank Performance**

Rating: Moderately Unsatisfactory

5.1.3 Afghanistan is still a very difficult environment for development works especially local level constructions works outside Kabul. Although Bank continued to organize implementation support missions regularly and provided significantly more support in addition to the normal supervision effort, the complex project design, ambitious scope,

lack of adequate capacity within the implementation entities, and the prevailing security environment demanded still greater effort from the Bank.

5.1.4 The Bank’s overall performance is rated as Moderately Unsatisfactory, based on a combined reading of the ratings received in respect of quality at entry and supervision.

## 5.2 Borrower Performance

### (a) Government Performance

Rating: Moderately Unsatisfactory

5.2.1 The Government’s performance is rated as Moderately Unsatisfactory based on a cumulative analysis of its performance against key selected criteria relevant to the developmental and country context, and applicable to the role of the Government, as listed in Table 5.

**Table 5: Evaluation of Government Performance**

<b>Criterion</b>	<b>Rating</b>	<b>Justification</b>
Government Ownership and Commitment towards higher level objectives served by the project	Moderately Satisfactory	The government displayed ownership and commitment towards the higher level objectives. However, due to capacity issues at the implementation agencies and the resultant delays, this commitment could not be translated into results. While progress on the Medium term Framework for the WSS sector has been slow, implementation of institutional reforms, while not attributable to the current project, may be seen as evidence of the overall ownership and commitment from the government.
Implementation arrangements, capacity and appointment of key staff	Moderately Unsatisfactory	The distinction in roles and responsibilities of MoUD and CAWSS as implementation entity lacked sufficient clarity. MoUD did not give adequate operational autonomy to CAWSS that was responsible for day to day operations of the project on behalf of MoUD. Key staff supported by the project and other external financing were appointed but lacked any decision making authority. Decision making with MoUD remained too centralized throughout the project resulting in extraordinary delays in making key decisions. Capacity of MoUD still remains weak.
Timely resolution of implementation issues	Unsatisfactory	Resolving implementation issues took very long. The decision making process was very centralized and depended usually on only one authorized person. Furthermore, the responsiveness especially on difficult or critical questions was low. Land

		acquisition took too long, reaching up to 18 months in some cases.
Disbursements	Unsatisfactory	Payments processing took long time, in some cases as long as three years. 24 signatures were required to release the contractor payments, thus creating severe cash flow problem for the contractors.
Procurement	Moderately Unsatisfactory	There were delays in award of civil works contracts after the bid evaluation was completed.

### (b) Implementing Agency or Agencies Performance

Rating: Moderately Unsatisfactory

5.2.2 The project had two implementation entities: Kabul Municipality for component 2 and MoUD/CAWSS for components 1, 3, and 5. Both Kabul Municipality and CAWSS procured the required consultancy services under component 4. The performance of both the implementation entities towards the implementation of the project and achievement of its developmental objectives is rated as Moderately Unsatisfactory based on a cumulative analysis of their performance against key selected criteria relevant to the developmental and country context, as listed in Table 6.

**Table 6: Evaluation of Implementation Entity Performance**

Criterion	Rating	Justification
Ownership and Commitment towards achievement of project-level objectives	Moderately Unsatisfactory	Both the implementation entities exhibited low level of ownership towards the higher level objectives served by the project. CAWSS was expecting to be phased out before the project completion that affected the overall project performance.
Governance arrangements	Moderately Unsatisfactory	CAWSS did not enjoy the operational autonomy and decision remained very centralized at the MoUD.
Implementation Readiness	Unsatisfactory	Both the entities lacked the adequate capacity for effective project implementation. There were major gaps in consultant management, engineering, contract management, procurement and financial management capacity. Kabul Municipality displayed good implementation capacity in completing the rehabilitation of the Chamartala Dump Site without help from consultants.
Contract	Unsatisfactory	This remained the weakest link in the chain.

Management		Under Component 3, CAWSS did not fulfill their responsibility as project contract manager and the supervision consultant became the de-facto contract manager during the course of implementation. Under Component 2, the consultant's contract with KM ran into disputes and was closed in May 2008.
Timely Resolution of Implementation Issues	Moderately Unsatisfactory	Lack of clarity in roles and responsibilities and inadequate capacity resulted in long delay for resolving implementation issues. For example, KM could not acquire land for transfer stations; CAWSS could not perform its responsibilities as project manager and resolve the contracts management related issues.
Disbursements	Moderately Unsatisfactory	Financial management for component 1 & 3 remained with the CFO appointed in the MoUD and with KM for component 2. Both the entities significantly delayed payment processing.
Adequacy of Monitoring and Evaluation Arrangements	Moderately Unsatisfactory	The development of an adequate M&E system by the Implementation Agency was delayed significantly, and monitoring responsibility for project works was largely outsourced to the consultant.
Adequacy of Transition Arrangements	Moderately Satisfactory	CAWSS has been replaced by an autonomous corporate entity responsible for UWSS namely Afghanistan Urban Water Supply and Sewerage Corporation (AUWSSC). AUWSSC was created under a separate IDA project. The team did not conduct an in-depth assessment of the capacity of AUWSSC; however, it was generally reported that AUWSSC has better capacity as compared to CAWSS.

### (c) Justification of Rating for Overall Borrower Performance

Rating: Moderately Unsatisfactory

5.2.3 The Borrower's overall performance is rated as Moderately Unsatisfactory, based on a combined reading of the ratings received in respect of government and implementing agency/partner's performance.

## 6. Lessons Learned

Some lessons learned from this project are:

6.1 Simple project design: In a post conflict environment the project design should be kept fairly simple with minimal possible components, focused geographical scope and relatively straight forward development objectives.

6.2 Comprehensive Appraisal of Implementation Arrangements: There is a tendency to rush through the project preparation in emergency situations without giving due attention to implementation challenges. Implementation arrangements should be assessed thoroughly during the project preparation and adequate arrangements to be proposed to ensure streamlined implementation.

6.3 Capacity assessment requirements for infrastructure investments: Investment of time in assessing the capacity of the borrower, implementation entity as well as the private sector at the design stage pays off during the implementation phase. In post conflict the need for up front capacity assessment is even more acute. Depending on the findings of the assessment adequate capacity building measures should be introduced into the project design and the proposed implementation arrangements as well as the project delivery schedule needs to be securely founded in the results of the capacity assessment. The results of the assessment may also generate a more thorough and informed capacity building plan to be implemented during the project. While institution building in a post-conflict setting is a very long process which may require a series of projects, short-term vs long-term capacity is an issue which requires careful balance. The project design envisaged the engagement of a consultancy firm to help bridge the capacity gaps and facilitate implementation as well as employing individual consultants to strengthen the capacity at the implementation agencies. However, implementation progress was delayed due to ineffective decision making at higher level within implementation agencies.

6.4 Upfront risk assessment and planning: Greater, mandatory emphasis should be placed on the detailed upfront risk assessment, planning and risk mitigation frameworks for post conflict projects. Dividends of time spent on thorough risk assessment during the project design are very high. In particular, planning and design inputs from conflict experts on the management of external risks such as security issues can help the project preparation team in anticipating the likelihood and probable effects of such risks and introducing effective mitigation measures against them.

6.5 Modest expectations from the project: Risk is inherently high in the post-conflict period in Afghanistan. Thus, Bank management's expectations need to be adjusted in line with what can be reasonably achieved. Implementation procedures should be kept simple, flexible enough to accommodate operational effectiveness of institutions and specific implementation needs.

## **7. Comments on Issues Raised by Grantee/Implementing Agencies/Donors**

### **(a) Grantee/Implementing agencies**

MUDA and other relevant agencies have not provided any comments on the draft ICR Report.

**(b) Cofinanciers/Donors**

KfW have informed that they have no comments on the current draft of the ICR Report.

**(c) Other partners and stakeholders**

## Annex 1. Project Costs and Financing

### (a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Kabul Water Supply	15.0	48.80 <sup>12</sup>	325.3
Kabul Sanitation - Wastewater, On-site Sanitation and Solid Waste	5.0	4.00	80.0
Provincial Towns Water Supply & Sanitation	15.0	30.80	200.0
Engineering Support and Technical Assistance to CAWSS and Kabul Municipality	3.0	11.04	360.0
Financial Support to CAWSS Operations	3.0	2.09	70.0
<b>Total Baseline Cost</b>	41.00	96.70 <sup>13</sup>	233.4
Physical Contingencies	0.00	0.00	0.00
Price Contingencies	0.00	0.00	0.00
<b>Total Project Costs</b>	0.00	0.00	
Project Preparation Costs	0.00	0.00	0.00
	0.00	0.00	0.00
<b>Total Financing Required</b>	41.00	96.70	

<sup>12</sup> The total cost for this component as per latest available estimate (Jan. 2010) was USD 48.8 million, out of which USD 21.9 million was to be financed by KfW and USD 26.0 million was expected to be financed under IDA UWS Project (P087860) by project restructuring. The current project has disbursed only USD 0.8 million under this component.

<sup>13</sup> Total cost for the project as per the latest available estimate (Jan. 2010) was estimated at USD 96.70 million out of which USD 48.7 million was to be financed through the current ARTF Project Grant.

**(b) Financing**

<b>Source of Funds</b>	<b>Type of Cofinancing</b>	<b>Appraisal Estimate (USD millions)</b>	<b>Actual/Latest Estimate (USD millions)</b>	<b>Percentage of Appraisal</b>
KfW	Parallel	N/A	21.90	
Afghanistan Reconstruction Trust Fund		41.00	48.70 <sup>14</sup>	.00

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<sup>14</sup>As per latest available estimate (Jan. 2010). Actual allocation and disbursement have been USD 41.00 million.



## Annex 2. Outputs by Component

### Component 1:

- The production and observation wells were completed for Kabul water supply to provide water at 1420 cum/hour.

### Component 2:

- Provisional Fencing for existing Chamtala dumpsite
- Rehabilitation of Kabul's main Chamtala dumpsite completed
- Solid Waste Management Workshop Constructed.
- Implementation of "Composting Pilot Project" at existing Chamtala dumpsite
- Procurement of sanitation equipment (pickup trucks, four suction trucks, seven container vehicles, one garbage Truck for 7.5 m<sup>3</sup> Containers)

### Component 3:

None of provincial subprojects is fully completed. The table provides the estimates of physical progress for each of the 12 sub-projects under this component.

No.	Town	Total Physical Works Completed by the end of December 2010
		%
1	Maimana	53
2	Sheberghan	32
3	Mazar	78
4	Taloqan	72
5	Puli Khumri	63
6	Charika	68
7	Metherlam	40
8	Jalalabad	71
9	Gardez	0
10	Ghazni	0
11	Qalat	52
12	Khandhar	53

Town wise details of each supply and works contract awarded under the project is as follows,

#### 1. Maimana

- A) **Water Well Drilling:** 3 Wells  
Implementation Progress: 100% completed
- B) **Pump Installation:** 3 Wells  
Availability of Materials: 100% available

Implementation Progress: 8%

**C) Reservoir Construction: 1 Ground & 1 Elevated Reservoir**  
Availability of Materials: 100% available  
Implementation Progress (Ground. Res.): 56%  
Implementation Progress (Elevated. Res.): 58%  
Reasons for Delay: Slow implementation from contractor

**D) Pipe Laying & House Connections: 19.67 km Network & 500 House Connections**

Availability of Materials:

- 90% pipes available, but most fittings not yet available
- 10% pipes, all bends, fittings & valves under procurement
- 1.9 km GRP pipes to be received
- 2.6 km HDPE pipes delivered in Dec and rest 8.5 are to be delivered
- Valves, fittings and saddles: 20% arrived in Kabul in Dec 2010

Physical Progress (All Mains):

- Total: 45%
- Principal & Transmission Mains: 35%
- Local Mains: 54%

Physical Progress (House Connections): 0%

Reasons for Delay:

- Contractor delayed implementation
- Lacking supply of materials
- List of customers for house connections not yet available from AUWSSC

**E) Building Construction: 1 Office & 1 Warehouse**  
Availability of Materials: 100% available  
Implementation Progress: 50% (Office) & 60% (Warehouse)  
Reasons for Delay:

- Contractor abandoned the implementation 12 months ago

**2. Sheberghan**

**A) Water Well Drilling: 4 Wells**  
Implementation Progress: 100% completed

**B) Pump Installation: 4 Wells**  
Availability of Materials: 100% available  
Implementation Progress: 0%

**C) Reservoir Construction: 2 Ground & 1 Elevated Reservoir**  
Availability of Materials: 100% available  
Implementation Progress (Grd. Res. 1): 20%  
Implementation Progress (Grd. Res. 2): 20%  
Implementation Progress (Elev. Res.): 20%

Reason for Delay:

- Considerable delay in on the approval of geotechnical report

**D) Pipe Laying & House Connections: 34.2 km Network & 1,525 House Connections**

Availability of Materials:

- 77% pipes available, but most fittings not yet available
- 23% pipes, all bends, fittings & valves under procurement
- 3.6 km GRP pipes to be received
- 15.9 km HDPE pipes are already delivered under and 1.2km is still left
- Valves, fittings and saddles), 20% materials arrived in Kabul in Dec 2010

Physical Progress (All Mains):

- Total: 36%
- Principal & Transmission Mains: 53%
- Local Mains: 24%

Physical Progress House Connections: 0%

Reasons for Delay:

- Contractor delaying the implementation
- Lacking supply of materials
- List of customers for house connections not yet available from AUWSSC

**3. Mazar-i-Sharif**

**A) Pipe Laying & House Connections: 83.9 km Network & 3,050 Connections**

Availability of Materials:

- 93% pipes available, but most fittings not yet available
- 7% pipes and all bends, fittings & valves under procurement
- 5.9 km GRP pipes
- 27.4 km HDPE pipes delivered in Nov & Dec,10 and 2.0km still remain to be delivered
- Valves, fittings and saddles; 20% have arrived in Kabul in Dec 2010

Physical Progress (All Mains):

- Total: 78%
- Principal Mains: 64%
- Local Mains: 83%

Physical Progress (House Connections):

- Total: 1%
- New Connections: 1% (plan: 2,027)
- Reconnecting Existing Customers: 0% (plan: 1,023)

Reasons for Delay:

- Contractor delaying the implementation
- Lacking supply of materials
- List of customers for house connections not yet available from AUWSSC

**4. Taloqan**

**A) Water Well Drilling:** **3 Wells**  
Implementation Progress: 100% completed

**B) Pump Installation:** **3 Wells**  
Implementation Progress: Total: 0%

**C) Reservoir Construction:** **2 Ground Reservoirs**  
Availability of Materials: 100% available  
Implementation Progress (Grd. Res. 1): 62%  
Implementation Progress (Grd. Res. 2): 59%  
Reason for Delay:

- Slow progress by the contractor

**D) Pipe Laying & House Connections: 36.5 km Network & 976 House Connections**

Availability of Materials:

- 82% pipes available, but most fittings not yet available
- 18% pipes plus all bends, fittings & valves under procurement
- 800 m GRP pipes to be received
- 5.6 km HDPE pipes & bends to be received
- Valves, fittings and saddles: 20% materials arrived in Kabul, Dec 2010

Physical Progress (All Mains):

- Total: 78%
- Principal & Transmission Mains: 53%
- Local Mains: 100%;

Physical Progress (House Connections):

- Total: 8%

Reasons for Delay:

- Contractor delaying the implementation
- Lacking supply of materials
- List of customers for house connections not yet available from AUWSSC

**5. Pul-i-Khumri**

**A) Water Well Drilling:** **6 Wells**  
Implementation Progress: 100% completed

**B) Pump Installation:** **6 Wells**  
Availability of Materials: 100% available  
Implementation Progress: 50%  
Reason for Delay:

- Slow progress by the contractor

**C) Reservoir Construction:** **6 Ground Reservoirs**  
Availability of Materials: 100% available;

Implementation Progress (Grd. Res. L): 79%  
Implementation Progress (Grd. Res. F): 79%  
Implementation Progress (Grd. Res. G): 66%  
Implementation Progress (Grd. Res. E): 79%  
Implementation Progress (Grd. Res. C): 78%  
Implementation Progress (Grd. Res. D): 49%

Reason for Delay:

- Slow progress by the contractor
- Delay in the approval of geotechnical report

**D) Pipe Laying & House Connections: 27.5 km Network & 800 House Connections**

Availability of Materials:

- 66% pipes available, but most fittings not yet available
- 34% pipes and all bends, fittings & valves under procurement
- 4.7 km HDPE pipes & bends, received Nov 2010
- Valves, fittings and saddles, 20% materials has arrived in Kabul, Dec 2010
- HDPE bends yet to be received

Physical Progress (All Mains):

- Total: 46%
- Principal & Transmission Mains: 22%
- Local Mains: 76%

Physical Progress (House Connections): Total 0%

Reasons for Delay:

- Contractor delaying the implementation
- Lacking supply of materials
- List of customers for house connections not yet available from AUWSSC

**E) Building Construction: 1 Office & 1 Warehouse**

Availability of Materials: 100% available

Implementation Progress: 70% (Office) & 50% (Warehouse)

Reason for Delay:

- Contractor abandoned the implementation 11 months ago

**6. Charikar**

**A) Pipe Laying & House Connections: 13.8 km Network & 738 House Connections**

Availability of Materials:

- 92% pipes available, but most fittings not yet available.
- 8% pipes and all bends, fittings & valves under procurement
- 1.1 km GRP pipes yet to be received
- HDPE pipes yet to be received
- Valves, fittings and saddles, 20% arrived in Kabul, Dec 2010

Physical Progress (All Mains):

- Total: 68%
  - Principal Mains: 52%
  - Local Mains: 87%
- Physical Progress (Total connections.): 0%
- Reasons for Delay:
- Contractor delaying the implementation
  - Lacking supply of materials
  - List of customers for house connections not yet available from AUWSSC

## 7. Mehtarlam

**A) Water Wells: 2 Wells**  
Implementation Progress: 100% completed

**B) Pump Installation: 2 Wells**  
Availability of Materials: Being ordered  
Implementation Progress: 0%

**C) Reservoir Construction: 1 Ground Reservoir**  
Availability of Materials:

- Reservoir materials are available, piping materials is not available.

Implementation Progress (Grd. Res.): 46%

Reason for Delay:  
Late tender and signature of contract

**D) Pipe Laying & House Connections: 7.8 km Network & 562 House Connections**

Availability of Materials:

- 95% pipes available, but most fittings not yet available
- 5% pipes and all bends, fittings & valves under procurement
- 0.3 km GRP pipes not yet received
- 2.6 km HDPE pipes delivered in Dec 2010
- Valves, fittings and saddles, 20% arrived in Kabul, Dec 2010

Physical Progress (All Mains):

- Total: 26%
- Principal Mains: 60%
- Local Mains: 16%

Physical Progress (House Connections): 0%

Reasons for Delay:

- Contractor delaying the implementation
- Lacking supply of materials
- List of customers for house connections not yet available from AUWSSC

## 8. Jalalabad

### A) Pipe Laying & House Connections: 23.7 km Network & 2,200 House Connections

Availability of Materials:

- 82% pipes available, but most fittings not yet available.
- 18% pipes and all bends, fittings & valves under procurement
- 2.5 km GRP pipes not yet received
- 8.2 km HDPE delivered in Dec 2010
- Valves, fittings and saddles; 20% materials arrived in Kabul, Dec 2010

Physical Progress (All Mains):

- Total: 71
- Principal Mains: 39%
- Local Mains: 86%

Physical Progress (House Connections): 0%

Reasons for Delay:

- Contractor delaying the implementation
- Lacking supply of materials
- List of customers for house connections not yet available from AUWSSC

## 9. Gardez

### A) Pipe Laying & House Connections: 2.3 km Network & 487 House Connections

Availability of Materials:

- 90% pipes available, but most fittings not yet available.
- 10% pipes and all bends, fittings & valves under procurement
- Materials are not yet transported to Gardez from Kabul
- Valves, fittings and saddles, 20% materials arrived in Kabul, Dec 2010

Physical Progress (All Mains): 0%

New House Connections: 0%

Reasons for Delay:

- Contractor has not yet started the implementation
- Lacking supply of materials

## 10. Ghazni

### A) Pipe Laying & House Connection: 2.6 km Network & 587 House Connections

Availability of Materials:

- 90% pipes available, but most fittings not yet available.
- 10% pipes and all bends, fittings & valves under procurement
- Materials are not yet delivered from Kabul
- Valves, fittings and saddles, 20% arrived in Kabul, Dec 10

Physical Progress (All Mains): 0%

Physical Progress (House Connections): 0%

Reasons for Delay:

- Contractor has not yet started the implementation
- Lacking supply of materials

### **11. Qalat**

#### **A) Pipe Laying & House Connection: 9.8 km Network & 413 House Connections**

Availability of Materials:

- 100% pipes available, but most fittings not yet available
- Bends, fittings & valves under procurement
- 3.0 km GRP pipes: available in KDR, but contractor DDRO delays transport, claiming exorbitant fees
- 1.0 km HDPE pipes as above
- 1.0 km HDPE pipes delivered in Jan 2011
- Valves, fittings and saddles, 20% materials arrived in Kabul, Dec 2010

Physical Progress (All Mains):

- Total: 52%
- Principal Mains: 0%
- Local Mains: 78%

Physical Progress (House Connections): 0%;

Reasons for Delay:

- Contractor delaying the implementation
- Lacking supply of materials
- List of customers for house connections not yet available from AUWSSC

### **12. Kandahar**

#### **A) Pipe Laying & House Connections: 47.88 km Network & 2,225 House Connections**

Availability of Materials:

- 75% pipes available, but most fittings not yet available.
- 25% pipes and all bends, fittings & valves under procurement: amendments of MUD-1137 & 1138 (KDR material: adaptors, valves, reducers, saddles, etc.) not approved by WB; possible re-order under CIDA funding; if not, this part of project cannot be completed
- 1.3 km GRP pipes yet to be received
- 1.5 km HDPE pipes & bends received on Jan 2011

Physical Progress (Total Mains):

- Total: 53%
- Principal Mains: 5%
- Local Mains: 82%

Physical Progress (House Connections): 0%

Reasons for Delay:



- Contractor delaying the implementation
- Lacking supply of materials
- List of customers for house connections not yet available from AUWSSC

#### **Component 4:**

- Engineering support and technical assistance to CAWSS continued till the end of the project.
- Contract for Kabul Sanitation was closed in May 2008 and Kabul Municipality has disputed the claims submitted by consultants.

#### **Component 5:**

This component provided transitional financial support to CAWSS operation in the 15 cities continued for twenty months and generated detailed technical financial and commercial data for the first time. Main outputs of the support were,

- Log book documentation introduced
- Completed and introduced structure of a CAWSS Staff Rules (CSR) handbook and first chapter (Attendance Regulations)
- Coverage of all O&M expenditures, staff salaries + bonus payments over the activity period ensured
- Training of accounting and managing staff (journals, profit/loss calculation, forecasts & budgeting, cash management) successfully conducted
- Training of the CAWSS staff in reading and writing Dari as well as selected ones in English and IT implemented
- A concise book keeping system established in all FSO SQ according to international accounting rules, electronic data processing and data transfer
- An easy but comprehensive Water Sector Management Information System (MIS) was developed, tested and handed over
- Sufficient computers installed and operated for financial reporting by trained staff across the CAWSS system
- Mismanagement of money addressed and reduced (however not fully checked)
- Substantial improvement of services (daily service time, number of house connections, appearance of water utility premises, customer service, uniforms, etc.) achieved, attendance to leakages in 24 hrs was made a standard
- Initiated systematic verification of incoming electricity bills, regular payment and resolution of disputes carried forward

### **Annex 3. Economic and Financial Analysis**

N/A

#### Annex 4. Grant Preparation and Implementation Support/Supervision Processes

##### (a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
<b>Lending/Grant Preparation</b>			
Christophe E. Bosch	Senior Water and Sanitation Economist	SASES	
<b>Supervision/ICR</b>			
Karine Fourmond	Water and Sanitation Specialist	SASEI	
Muhammad Wali Ahmadzai	Financial Management Analyst	SARFM	
Nagaraju Duthaluri	Senior Procurement Specialist	SARPS	
Deepal Fernando	Senior Procurement Specialist	SARPS	
Mariam Haidary	Program Assistant	SASDO	
Philippe Huc	Sr Water & Sanitation Spec.	MNSW A	
Abdul Wali Ibrahim	Operations Officer	SASDE	
Asila Wardak Jamal	Consultant	SASDI	
Arun Kumar Kolsur	Procurement Specialist	SARPS	
Asha Narayan	Financial Management Specialist	SARFM	
Kenneth O. Okpara	Sr Financial Management Specialist	SARFM	
Mohammad Arif Rasuli	Sr Environmental Spec.	SASDI	
Shyamal Sarkar	Sr Sanitary Engineer	SASDU	
Raja Rehan Arshad	Lead Operations Officer	SASDU	
Tahir Akbar	Research Analyst	SASDU	

##### (b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only) <sup>15</sup>	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
<b>Lending</b>		
FY05	39	140.41
FY06	0	0
FY07	0	0
FY08	0	0

<sup>15</sup> Procurement and Financial Management staff effort in supervising the project and the cost of it, which was significant, are not included in the above Table.

FY09	0	0
FY10	0	0
<b>Total:</b>	39	140.41
<b>Supervision/ICR</b>		
FY05	0	0
FY06	40	165.20
FY07	24	95.43
FY08	15	46.17
FY09	16	63.63
FY10	N/A	48.60
FY11	N/A	43.13
<b>Total:</b>	95	462.16

## **Annex 5. Beneficiary Survey Results**

N/A

## **Annex 6. Stakeholder Workshop Report and Results**

N/A

## **Annex 7. Summary of Grantee's ICR and/or Comments on Draft ICR**

MUDA prepared the following implementation completion input for the project:

**URBAN WATER SUPPLY AND SANITATION PROJECT  
IMPLEMENTATION COMPLETION REPORT  
by  
Ministry of Urban Development Affairs**

### **Background**

After the take-over of the Interim Afghan Government in 2002 led by President Hamid Karzai, there has been a renewed interest of the international community in the socio-economic and infrastructure development, and reconstruction of the country. World Bank is among the international aid and lending agencies that have made significant contribution in this regard.

Water is an important development sector of the country and water resources development has attracted an increasing attention from donor agencies due to immense social, economic and development impact of water resources in people's lives. In recent years, the concept of integrated water resources management has been gaining increasing popularity and the Ministry of Energy and Water has been taking important measures to ensure that the water resources in Afghanistan are developed in an integrated manner. However, huge challenges lie ahead. Provision of Potable drinking water to both rural and urban areas is one of the major development challenges to the Afghan Government. Majority of the Afghan population has limited access to clean drinking water and the provision of sanitation facilities is from worse to non-existent in most of the Afghan towns.

The Ministry of Urban Development Affairs is responsible to lead the development efforts in the urban areas of Afghanistan and provision of urban water supply and sanitation services is one of the priorities for MUDA.

Considering the above-mentioned vital need of safe drinking water to urban inhabitants of the country, this Urban Water Supply Project was initiated in Kabul and 13 provincial towns across the country from the Afghanistan Reconstruction Trust Fund (ARTF) Grant. This project was component "C" of the original scope as described in section 1.2 in this document. The Ministry's input in this ICRR is mainly focused on component "C", and component "E", which is financial and technical support to Afghan Urban Water Supply and Sanitation Corporation. The lead implementation agency of the Project is the Ministry of Urban Development Affairs.

### **1. Project Development Objectives (PDO)**

The Project Development Objectives are as follows:

- (i) Provide sustainable, improved water supply and sanitation services to the urban segment of the Afghan population;
- (ii) Build the technical and institutional foundation for the medium-term Urban Water Supply and Sanitation (UWSS) program; and
- (iii) Ensure continuity of investment by benefiting from the implementation arrangements already in place and fully operational.

The objectives of the Project were quite relevant to Afghanistan context. After decades of war and conflict, the country had newly started its journey towards development and reconstruction. Clean drinking water is considered as a vital need for sustaining healthy life and improving the quality of human well-being.

Therefore, the Bank's intervention in the urban water supply sector was both timely and objectively planned. Regardless of the fact that the Project PDO could not be achieved due to problems in the implementation due to deficiencies in supervision and monitoring of the Project which had been outsourced to a Consultant, the capacity building at the Ministry and AUWSSC are considered a major achievement of this Project .

#### 1.1 *Main Beneficiaries*

I. The primary beneficiaries of the Project were the urban inhabitants (estimated 3.5 million total population) in the following 13 provincial towns of the country who lacked access to clean drinking water facilities.

- Charikar
- Ghazni
- Kandahar
- Mazar-i-Sharif
- Qalat
- Gardez
- Jalalabad
- Mehtherlam
- Sheberghan
- Taloqan
- Maimana
- Puli-Khumri
- Zaranj

II. The secondary beneficiary of the Project was the Ministry of Urban Development Affairs and its affiliated Central Authority for Water Supply and Sanitation (CAWSS) and Afghanistan Urban Water Supply and Sanitation Corporation (AUWSSC) whose operating costs, capacity building and institutional building was also one of the objectives of the Project. It is to be noted that CAWSS was liquidated in May 2009.

#### 1.2 *Original Components (as approved):*



The original scope of the Project consisted of the following main components:

**Part A: Kabul Water Supply**

Construction of the Upper Kabul River wellfield and associated transmission mains, reservoirs and distribution networks.

**Part B: Kabul Sanitation-Wastewater, On-site Sanitation and Solid Waste**

Acquisition of equipment and construction of new facilities, including a workshop, a septage disposal station, a solid waste transfer station and the first stage of a new sanitary solid waste landfill.

**Part C: Provincial Towns Water Supply and Sanitation**

Provision of water supply and sanitation services in provincial towns through: (i) completion of rehabilitation of water supply and sanitation systems and initial expansion of systems in selected provincial towns; and (ii) new constructions of systems in towns which are not served by a water supply network.

**Part D: Engineering Support and Technical Assistance to CAWSS and to Kabul Municipality**

- (1) Rehabilitation and expansion of water supply systems, through the carrying out of technical studies and construction supervision, consistent with the Environment and Social Safeguards Framework, for selected water supply systems and construction packages.
- (2) Provision of systems operation and management support, including capacity building, human resources management, technical support for financial monitoring, water quality control, and awareness campaigns and involvement of communities.
- (3) Conducting technical studies, engineering designs and construction supervision for solid waste management and sanitation investments, consistent with the Environmental and Social Safeguards Framework, including updating the Strategic Sanitation Plan.

**Part E: Financial Support to CAWSS Operations**

Provision of financial support for the operations of CAWSS, according to eligibility criteria, functioning, implementation, and monitoring arrangements specified in the Operation Manual.

This is to be noted that out of the above 5 components of the Project, components A, C and E are related to MUDA while component D is related to both MUDA and Kabul Municipality. This document is focused mainly on components C and E.

### **Overall Evaluation:**

It was realized during the implementation of the Project and after grant closure that the Project components selection process had drawbacks resulting into a Project design with overall estimated cost of US\$ 96.7 million as against US\$ 41 million of available ARTF grant. However, the experience gained from the implementation of above-mentioned components of this Project is valuable for the Bank as well as for MUDA. The Bank realized that more investment needs to be made in institutional and technical capacity building. It was also realized by different stakeholders that in general there is serious shortage of skilled Contractors with the required technical capacity and experience in implementing large scale water supply projects. Also, too much reliance on external consultants is damaging for the overall performance of the infrastructure projects implemented by government agencies. Therefore, in-house capacity building both from technical and institutional aspects are crucial to the successful completion of urban water supply projects.

#### *1.3 Other significant changes (in design, scope and scale, implementation arrangements and schedule, and funding allocations):*

The total cost of the five (5) components of the overall Project reached US\$ 96.7 million which was way above the available grant of US\$ 41 million available under the ARTF. Therefore, the Project original scope had to be significantly reduced. Since the Kabul Water Supply component made a major share of the overall cost, it had to be deleted from the scope except for a small portion of the bored wells.

One of the most important changes in the Project was the Project schedule. As per the original scope the Project was supposed to be completed by 2007. However, due to various unforeseen issues and problems, the Project could not be finished as planned and the Bank had to grant three consecutive extensions up to December 2010. Unfortunately, the Project could not be completed by December 2010 and the MUDA's request for extension up to December 2011 was not accepted by the Bank. Accordingly, the grant for this Project was terminated on 31 December 2011.

The physical progress of the Project as reported by the Consultant is about 70 % for component C (i.e. the Provincial Towns Water Supply Project). This progress includes physical work and supply of materials.

## **2. Key Factors Affecting Implementation and Outcome**

### *2.1 Project Preparation, Design, and Quality at Entry*

The Project was the first of its kind funded by World Bank. There had been limited investment by the donors' community in the urban development sector. The Project was initiated to provide urgent relief in the form of potable water supply to urban residents. The target was to achieve minimum water supply coverage of 30 % households/population in the Project town as a short term measure.

KFW provided consulting support directly for Kabul Water Supply (component A mentioned under 1.5) and MUDA obtained consulting support for components C and E. Component B was implemented by Kabul municipality with another consultant and several individual consultants supported them.

## *2.2 Implementation*

Although MUDA was the implementing agency for the Project, due to limited technical staff, a Consultant was hired to perform the Project management (including project supervision, project monitoring contract management and reporting) functions in close coordination with the CAWSS (which was liquidated in May 2009 and AUWSSC was established) and MUDA. Since CAWSS was in transition and corporatization to AUWSSC was happening, this adversely affected the overall performance of the Project. Following are some of the other reasons that impacted the proper implementation of the project:

- Failure of the first tendering phase in 2005 which required a time-consuming re-configuration of bid packages and the procurement concept.
- Large number of tenders and least responsive small number of bids that led to re-bidding and delays.
- Small size of construction contracts attracted contractors with limited financial and technical capacity and management experience, resulting in slow work progress
- General lack of technical and management capacity of contractors in the local market
- In general the Consultant's underperformance was one of the key reasons for the extended delays in the implementation of the Project

## *2.3 Monitoring and Evaluation (M&E):*

The Project monitoring and evaluation was also the responsibility of the Consultant. The M&E functions were not performed effectively and this seriously affected the overall performance of the project implementation. The MIS system to be developed by the consultants in this regard was not adequately operationalized.

## *2.4 Safeguard and Fiduciary Compliance*

The consultant was responsible for ensuring that the Safeguards and Fiduciary Compliance related issues are taken care of.

### *2.5 Post-completion Operation/Next Phase*

This project was terminated on 31 December 2010 due to inadequate progress and under-performance in the past and it may not be applicable to provide a reasonable response to this query. However, AUWSSC a corporate utility for urban water sector has taken over the unfinished works in the provincial towns. These will be completed and operated as the funds will be available. No timeline for completion and operation of those can be forecast, but it may take about a year after the funds are secured.

## **3. Assessment of Outcomes**

### *3.1 Relevance of Objectives,*

The objectives of the Project were quite relevant to Afghanistan context. After decades of war and conflict, the country had newly started its journey towards development and reconstruction. Clean drinking water is considered as a vital need for sustaining healthy life and improving the quality of human well-being.

Therefore, the Bank's intervention in the urban water supply sector was both timely and objectively planned. Regardless of the fact that the project PDO could not be achieved due to problems in the implementation due to deficiencies in supervision and monitoring of the project which had been outsourced to a Consultant, the capacity building at the Ministry and AUWSSC are considered a major achievement of this project .

### *3.2 Achievement of Project Development Objectives*

(i) Provide sustainable, improved water supply and sanitation services to the urban segment of the Afghan population

The Project Development Objective could not be achieved. At physical progress of about 70 %, the Project was terminated on 31 December 2010 after 3 years of extension beyond the originally planned schedule. However, it is to be noted that the Ministry thankfully acknowledges the Bank's support for this project which resulted into almost 70% completion (in terms of works and supplies) of the project

It is now a challenge for MUDA to complete the remaining 30 % of the Project so that the original PDO can be achieved.

(ii) Build the technical and institutional foundation for the medium-term Urban Water Supply and Sanitation (UWSS) program; and

The Project significantly contributed in this regard, particularly in supporting the Afghan Water Supply and Sanitation Corporation. This support was both in terms of capacity building and technical assistance as well as financial support for the operations of the AUWSSC. Although AUWSSC has not yet fully achieved the required institutional and technical capacity to be able to handle large scale municipal water supply and sewerage systems in design, implementation and operation stages, it has been making a gradual progress.

MUDA has been actively supporting AUWSSC in this regard.

(iii) Ensure continuity of investment by benefitting from the implementation arrangements already in place and fully operational.

As mentioned before, the ARTF grant for this project was closed on 31 December 2010 and no further extension was approved by the Bank due to overall performance of the project. The project now stands at around 70 % of physical completion. However, different towns have different levels of physical progress. The challenge now is to find alternative investments for completion of the remaining portion of the project.

The implementing agency for this project was the Ministry. However due to limited technical capacity at the time of the project development and during its implementation, and shortage of qualified water supply engineers in the market, the project was outsourced to a consulting engineering firm for construction supervision, monitoring and evaluation and assistance in contract and financial management. During the implementation, the consultant continuously underperformed, but it was also not feasible to change the Consultant. This situation caused extended delays in the completion of the project. During this period the CAWSS was liquidated and AUWSSC was created within the framework of MUDA. This transition also, somehow, affected that overall progress of the Project.

This incomplete project has now been handed over to AUWSSC as of 1 January 2011 that has been gradually building up its required capacity to successfully implement urban water supply projects across the country. It is hoped that both MUDA and AUWSSC will continue to work closely to attract future investments from different donors including WB to continue with the implementation of this project until full completion and achievement of the Development Objective. It is to be noted that KFW has already taken over three provincial towns i.e. Mazar-i-Sharif, Puli-Khumri and Taloqan to finance the completion of the remaining portion of water supply works in these provincial towns.

#### **4. Assessment of Bank and Borrower Performance**

##### **4.1 Bank's Performance**

*(a) Bank Performance in Ensuring Quality at Entry (i.e., performance through lending phase):*

Rating: Satisfactory

5.1.1 The Bank’s performance in ensuring quality at entry is rated as Satisfactory, based on a cumulative analysis as listed below.

<b>Criteria</b>	<b>Rating</b>	<b>Justification</b>
Strategic Relevance and Approach	Satisfactory	The objectives of the Project were quite relevant to Afghanistan context. Clean drinking water is considered as a vital need for sustaining healthy life and improving the quality of human well-being. Therefore, the Bank’s intervention in the urban water supply sector was both timely and objectively planned.
Technical, Financial, and Economic Aspects	Moderately Satisfactory	The project was an appropriate intervention in supporting the urban water supply sector in the country. However, at the time of entry the amount of baseline data was limited. A proper evaluation of the implementing agency was not conducted to be used in the project planning, design and implementation. This caused a huge deficit in the estimated cost and available ARTF grant and the overall project had to be descoped significantly to match with the available funds. Similarly, problems were encountered during the implementation of the project.
Policy and Institutional Aspects	Satisfactory	In general policy development process was weak. The project development and implementation and institutional changes were happening parallel. The CAWSS was being liquidated and AUWSSC was being created with different regulatory and institutional framework. This transition also adversely affected this aspect of the project. However, the creation of AUWSS, per se, was a major achievement and one of the components of the PDO.
Stakeholder Consultation	Satisfactory	The Bank regularly held consultations with all relevant stakeholders of the

		project.
Implementation Arrangement	Satisfactory	The implementing agency for this project was the Ministry. However due to limited technical capacity and shortage of qualified water supply engineers in the market, the project was outsourced to a consulting engineering firm for construction supervision, monitoring and evaluation and assistance in contract and financial management.

*(b) Quality of Supervision (including of fiduciary and safeguards policies):*

Rating: Satisfactory

5.1.2 The Bank performance with regards to the supervision of the project is considered satisfactory. Support from the Bank for the success of the project was significant. The Bank supervised the project both through its available technical staff in the Country office as well as from its regional office as required. However, this supervision could have been more effective and efficient if a team had been created within MUDA to close the gap especially with regards to the Bank staff not being able to visit the sites due to security reasons. Unfortunately, MUDA was not able to finance such a team and relied mostly on its Consultant.

*(c) Justification of Rating for Overall Bank Performance:*

Rating: Satisfactory

The Bank's overall performance is considered satisfactory. Although the Project Development Objective was not achieved in full, the project's contribution towards achievement of the PDO was significant. One of the components of the PDO was strengthening the institutional set up for the Urban Water Supply and Sanitation (UWSS). Bank's support for corporatization of the Afghan Water Supply and Sanitation was immense. It provided both technical and financial support.

It is understood that during the design and development of the project, some of the decisions made were over-ambitious and were not in harmony with the realities of Afghanistan as a post-conflict country. The planning phase required more effective assessment of the baseline situation. However, the Bank realized these gaps and timely supported the MUDA in particular and all other stakeholders in general.

The Bank was well-informed about the major constraints during the implementation of the project that were beyond the MUDA's control. Therefore, the Bank approved

MUDA's extension requests for the project for three (3) consecutive years beyond the originally planned completion date of 2007.

The grant was closed on 31 December 2010 when the project physical completion was around 70 %. The Bank had its own arguments for such a decision.

#### 4.2 Borrower Performance

(a) *Government Performance:*

Rating: **Moderately Satisfactory**

<b>Criteria</b>	<b>Rating</b>	<b>Justification</b>
Government Ownership and Commitment to achieve the Development Objective	Satisfactory	The Ministry has been highly committed to achieve the Project Development Objective by utilizing all kinds of resources at its disposal. Even after the grant closure, MUDA has been actively coordinating with donors to seek their financial support in order to complete the remaining incomplete portion of the physical infrastructure. Due to MUDA's commitment to this project, KFW has already taken over three (3) provincial towns to finance the incomplete works.
Provision of Enabling Policy Environment	Moderately Satisfactory	The Ministry started from very low level of technical capacity in the urban water supply sector. It has gradually been building up on its capacity and the Directorate of Urban Water Supply and Sanitation has taken some important steps to establish a policy framework for the UWSS. It is to be noted that the Ministry has provided its relevant support wherever a policy level input was required.
Adequacy of Stakeholders Consultation	Moderately satisfactory	The ministry has made every possible effort to ensure that adequate coordination is maintained among various stakeholders. At times, this could not achieved very effective due to limitations beyond the Ministry's control.
Readiness for Implementation	Moderately Satisfactory	The implementing agency for this project was the Ministry. However due



		to limited technical capacity and shortage of qualified water supply engineers in the market, the project was outsourced to an international consulting engineering firm.
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*(b) Implementing Agency or Agencies Performance:*

Rating: Moderately Satisfactory

The Ministry of Urban Development Affairs was the main implementing agency and owner of this project. However, the supervision, monitoring, financial and contract management functions were outsourced to a Consulting Engineering Firm. Unfortunately, these functions were not performed as per the expectations of the Ministry. This caused huge delays in the timely implementation. Security risks in various provincial towns also adversely affected the overall performance of the project.

*Justification of Rating for Overall Borrower Performance:*

Rating: Moderately Satisfactory

In spite of the fact that the Project Development Objective (PDO) was not achieved due to several constraints beyond control of the Ministry, a significant contribution was made towards the PDO. The physical progress of the project now stands at around 70 %. One of the components of this project was to strengthen the institutional arrangement of UWSS. MUDA successfully completed the corporatization of Afghan Water Supply and Sanitation services through the financial and technical support of WB and other stakeholders. This is considered a major achievement from this development intervention.

**5. Lessons Learned**

The Project was the first of its kind funded by World Bank. There had been limited investment by the donors' community in the urban development sector. The Project was initiated to provide urgent relief in the form of potable water supply to urban residents. The target was to achieve minimum water supply coverage of 30 % households/population in the Project town as a short term measure.

At the time of the project inception, the Ministry had limited technical capacity to handle a project of this size and scope. Therefore, the Project's supervision, monitoring was outsourced to a Consulting Firm. The Consultant was also tasked to assist in the financial and procurement management of the Project. Unfortunately, the Consultant's overall performance was not as per expectations of the Ministry. This caused unforeseen delays in the implementation of the project.

The project was originally scheduled to be completed by June 2007 had to be extended for 3 additional years up to 2010. Once the Ministry realized that the Project might not be completed even by 2010, it formally requested the Bank for another extension up to

December 2011 based on recommendations of the Consultant and the actual physical progress of about 70 %. However, the Bank, for its own reasons, terminated the grant as of 31 December 2010.

The grant's closure, while a great shock and disappointment for the Ministry for not being able to deliver on its commitment to provide clean drinking water to the residents in 13 towns across the country, is also considered an organizational asset in the form of lessons learned for its future interventions in the urban water supply and sanitation sector. Following are some of the most important lessons learned from this project from project development and initiation to implementation:

- Technical and institutional capacity is the key to perform various functions
- Infrastructure projects should be planned, designed and implemented in realistic manner keeping in view the Afghanistan development context.
- Overambitious approaches in development initiatives are both in-effective and result into either less efficient performances or failures in some cases
- Coordination and effective communication among various stakeholders are necessary elements for the successful performance of infrastructure projects.
- Roles, responsibilities and functions need to be clearly identified.
- MUDA, together with other government ministries and relevant agencies, need to focus on measures to improve the technical capacity of the Contractors in Water & Sanitation Sector. For this purpose several measures need to be taken to engage the private sector with the active financial and technical support from potential donors.
- Human capital development is crucial to the success of any development initiative.
- World Bank and other donors need to increase their focus on building the in-house capacity of MUDA to reduce too much reliance on consultants for sustainability of the development initiatives in future.

**Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders**

N/A

## **Annex 9. List of Supporting Documents**

ARTF Short Term Support to Urban Water and Sanitation Sector - Project Document, February 2005.

ARTF Grant Agreement, February 2005.

Amendment to ARTF Grant Agreement, September 2005.

Amendment to ARTF Grant Agreement, February 26, 2010.

Water Sector Aide Memoire, December 2004.

Aide Memoire, February 2006.

Aide Memoire, September 2008.

Project Status Report, “Assessment of Additional Resources Needed for Project Completion – Provincial Towns Water Supply and Sanitation”, Fichtner Water and Transportation – Kocks Consult – BETS, January 2010.

Consultants’ Final Report, “Extension of Consultancy Services For Sanitation Improvements in Kabul City, Final Report”, Messrs. Gauff Ingenieure/ICON/IBU, May 2008.

Consultants’ Final Report, “Urban Water Supply and Sanitation Project – Provincial Towns Water Supply and Sanitation”, Messrs. Fichtner Water and Transportation –Kocks Consult – BETS, February 2011.